Terra State Community College

Basic Financial Statements

June 30, 2018

PLATTENBURG
Certified Public Accountants

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

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

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

Dave Yost
Auditor of State

October 26, 2018

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TERRA STATE COMMUNITY COLLEGE

SANDUSKY COUNTY, OHIO

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Terra State Community College, Sandusky County, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Terra State Community College (the College), a component unit of the State of Ohio, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the 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 the College, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matters

As discussed in Note 15 to the financial statements, during the year ended June 30, 2018, the College adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. We did not modify our opinion regarding this matter.

The financial statements of Terra College and the discretely presented component unit as of June 30, 2017, and for the year then ended were audited by other auditors who expressed unmodified opinions on those financial statements in their report dated October 13, 2017.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 15, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Terra State Community College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2018 with selected comparative information for the years ending June 30, 2017 and 2016. 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 State Community College's operating results.

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

Condensed Financial Information

Statement of Net Position
(in thousands)

	2018	2017	2016
Assets			
Current assets	$ 4,125	$ 4,253	$ 5,856
Capital assets, net	29,601	29,971	30,843
Other noncurrent assets	649	1,046	976
Total assets	34,375	35,270	37,675
Deferred outflows of resources	4,309	4,720	1,878
Total assets & defer outflows	$ 38,684	$ 39,990	$ 39,554
Liabilities			
Current liabilities	1,413	1,264	1,842
Noncurrent liabilities	26,290	29,345	25,794
Total liabilities	27,703	30,609	27,636
Deferred inflows of resources	4,774	2,527	3,551
Total liabilities & defer inflows	32,477	33,136	31,187
Net position			
Net investment in capital assets	24,016	24,585	25,725
Restricted			
Expendable	97	99	120
Unrestricted	(17,906)	(17,830)	(17,478)
Total net position	$ 6,207	$ 6,854	$ 8,367

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The net pension liability (NPL) is the largest single liability reported by the College at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the College adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the College District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the College's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the College is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $6,854,396 to $841,816.

Assets: As of June 30, 2018 the College's total assets and deferred outflows of resources amounted to approximately $39 million. Capital assets, net of depreciation, represented the College's largest asset, totaling $29.6 million or 77 percent of total assets and deferred outflows of resources. Account and Loan Receivables, totaling $2.7 million or 7.0 percent of total assets and deferred outflows of resources, were the College's next largest asset. Cash and investments decreased by approximately $303 thousand in 2018.

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.

Liabilities: At June 30, 2018 the College's liabilities and deferred inflows of resources totaled approximately $32 million. Net pension liabilities represented approximately $20.4 million, or 63 percent, of total liabilities and deferred inflows of resources. Total liabilities and deferred inflows of resources decreased $658 thousand during the year ended June 30, 2018. This was primarily a result of lower net pension 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.

Net Position: Net position at June 30, 2018 totaled approximately $6.2 million or 16 percent of total assets and deferred outflows of resources. Net investment in capital assets totaled $24.0 million or 387 percent, of total net position. Restricted and unrestricted net position represented 2 percent and (287) percent of total net position, respectively. Total net position increased by $5.4 million during the year ended June 30, 2018. A prior period adjustment of ($6.0 million) for the implementation of GASB 75 resulted in a final net position of $6.2 million.

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.

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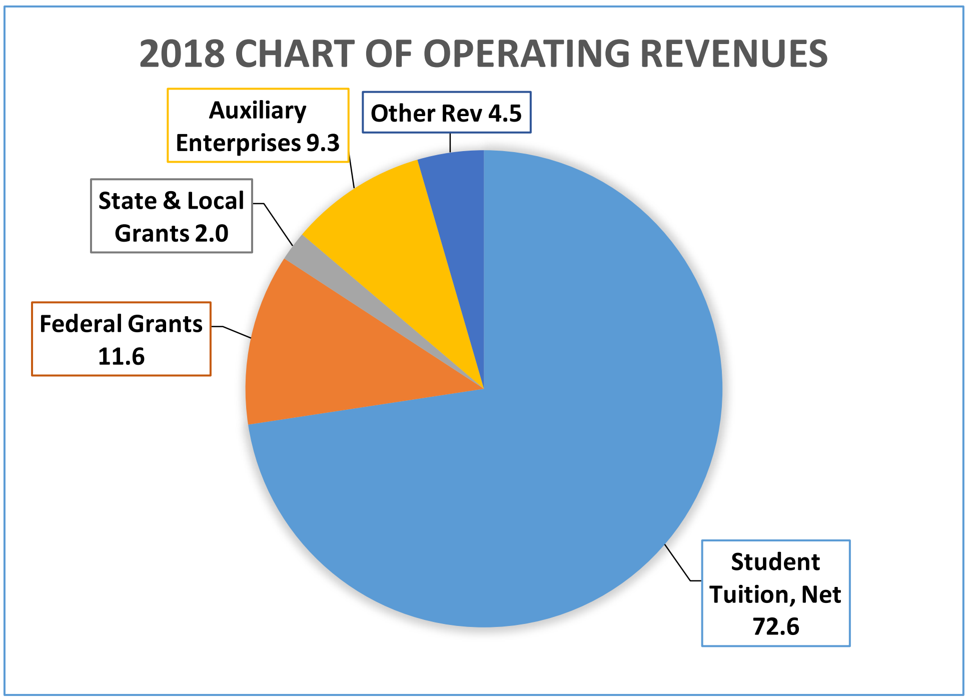
Statement of Revenues, Expenses and Changes in Net Position
(in thousands)

	2018	2017	2016
Operating revenue			
Tuition and fees	$ 3,787	$ 4,724	$ 4,701
Government grants	708	905	740
Auxiliary services	483	902	1,400
Other operating revenue	237	267	144
Total operating revenue	5,215	6,798	6,985
Operating expenses			
Educational and general	7,714	14,482	15,660
Auxiliary expenses	539	1,207	1,341
Depreciation	1,305	1,337	1,318
Total operating expenses	9,558	17,026	18,319
Operating loss	(4,343)	(10,228)	(11,334)
Non-operating revenue (expenses)			
State appropriations	6,429	6,452	6,491
Federal grants	2,730	2,251	3,227
Gifts and grants	221	188	127
Investment income	(4)	10	27
Other non-operating	(726)	(186)	(557)
Total non-operating revenue	8,650	8,715	9,315
Capital appropriations	1,058	---	1,575
Change in net position during year	5,365	(1,513)	(444)
Beginning Net Position	842	N/A	N/A
Ending Net Position	$ 6,207	$ 6,854	$ 8,367

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $59,063 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $443,241. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

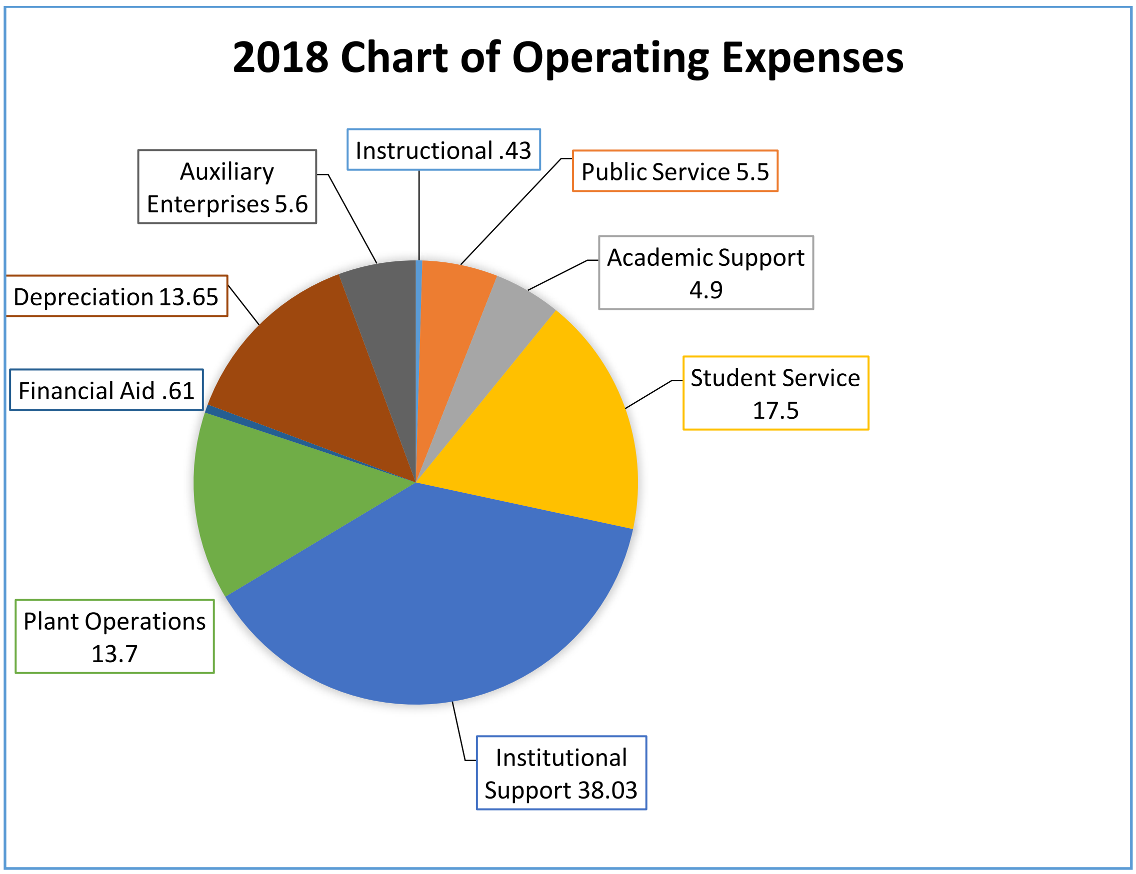
Total 2018 operating expenses under GASB 75	$9,557,905
Negative OPEB expense under GASB 75	443,241
2018 contractually required contribution	78,656
Adjusted 2018 operating expenses	10,079,802
Total 2017 operating expenses under GASB 45	17,026,756
Change in operating expenses not related to OPEB	($6,946,954)



Total operating revenues were $5.2 million for the year ended June 30, 2018, $6.8 million for 2017. The most significant sources of operating revenue for the College are net student tuition and fees (72.6 percent for 2018 and 69.5 percent for 2017), auxiliary enterprise revenue (9.3 percent for 2018 and 13.3 percent for 2017), and federal grants and contracts (11.6 percent for 2018 and 8.8 percent for 2017).

Tuition and fees continued to be the largest source of operating revenues for the College. Gross tuition revenue decreased 6.6% for 2018 and decreased 16.4% for 2017 primarily from fluctuations in enrollment and an increase in College Credit Plus students. The College's full time equivalent (FTE) students for fiscal year 2018 were 1,218 while in fiscal year 2017 the total was 1,277 and for fiscal year 2016 the total was 1,410. Over the past five years, the annual FTE average has been approximately 1,375. Auxiliary enterprises revenue from the College bookstore decreased 46.5% from 2017 corresponding with the enrollment decline and a full year of outsourcing the bookstore. In 2018 state grants and contracts revenue decreased to approximately 66.0% of operating revenues.

State appropriations, which is considered non-operating 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, 2018, amounted to $6.4 million. This represents a decrease of $23 thousand or 0.3% from the College's appropriation for the prior year. In 2017, the appropriation decreased $38 thousand or 0.6% from the College's appropriation for the prior year.



Operating expenses, including $1.3 million of depreciation, totaled approximately $9.6 million as compared to $17 million in 2017 and $18.3 million in 2016. The majority of the College's operating funds prior to GASB 68 and 75 adjustments are expended directly for the primary mission of the College – instruction (32 percent), institutional support (27 percent) and student services (12 percent). This combined 71 percent compares with 69 percent in 2017 and 67 percent in 2016.

Total operating expenses decreased 43% from 2017 with instructional expenses decreasing $5.4 million due to a change in assumptions for the GASB 68 calculations along with the implementation of GASB 75. Other operating expenses decreased accordingly for 2018 as GASB adjustments were prorated. Total operating expenses had decreased 7.0% from 2016 to 2017.

For the year ended June 30, 2018, student financial aid related to tuition and fees totaled $2.7 million, including scholarship allowance of $2.6 million and student aid expense of $58 thousand. In 2018 student financial aid increased by 17.0% in total from the prior year. For the year ended 2017 student financial aid was $2.3 million as compared to $3.7 million in 2016.

Statement of Cash Flows
(in thousands)

	2018	2017	2016
Net cash provided (used) by:			
Operating activities	$ (9,293)	$ (9,823)	$ (10,106)
Noncapital financing activities	9,381	8,891	9,845
Capital and related financing activities	(387)	(734)	(522)
Investing activities	884	286	564
Net increase/(decrease) in cash	585	(1,380)	(219)
Cash-beginning of year	224	1,604	1,823
Cash-end of year	$ 809	$ 224	$ 1,604

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 ($3.9 million) and grants and contracts ($606 thousand). The largest cash payments for operating activities were to employees, for wages and benefits, ($10.2 million) and to suppliers ($4.2 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, 2018, a net decrease of $370 thousand over the prior year-end. Additions to capital assets during the year totaled $1.1 million as a result of upgrades to parking lot lighting, water, and sewer infrastructure. Website upgrade and equipment made up the balance of additions. For more information on capital assets, see Note 4.

Long-Term Debt

Long-term debt totaled approximately $5.7 million at June 30, 2018, an increase of $171 thousand over the prior year-end. For more information on long-term debt, see Note 7.

Factors impacting future periods

The economic position of Terra State Community College is closely tied to that of the State. State Share of Instruction funding for fiscal year 2019 is projected at $6.3 million which is approximately 2.6% below the funding received in fiscal year 2018.

Hourly tuition rates will increase $10 per credit hour 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 2019 include a 1.5% salary increase for union staff and faculty as well as non-union administration. Employee health insurance plans will continue with a fully funded consortium plan which was effective on October 1, 2016, with plan premiums increasing 9.14%.

The College experienced a 4.6% decrease in full-time equivalent students from 1,277 FTE in 2017 to 1,218 in 2018. Enrollment for summer term is comparable to last year while fall is reflecting a slight 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 STATE COMMUNITY COLLEGE
SANDUSKY COUNTY, OHIO
STATEMENTS OF NET POSITION
As of June 30, 2018 and 2017

	2018		2017	
	Terra State Community College	Component Unit Terra College Foundation	Terra State Community College	Component Unit Terra College Foundation
ASSETS				
Current assets				
Cash and cash equivalents	$ 809,467	$ 256,083	$ 223,745	$ 122,112
Short-term investments	476,767	0	968,529	0
Intergovernmental receivable	92,591	0	62,898	0
Due from State of Ohio	249,853	0	232,295	0
Loans receivable, net	66,424	0	66,924	0
Other receivables	2,322,562	70,534	2,267,474	88,458
Inventory	12,811	0	13,533	0
Other current assets	94,211	0	417,636	0
Total current assets	4,124,686	326,617	4,253,034	210,570
Noncurrent assets				
Investments	648,707	5,431,795	1,045,532	5,390,256
Other Assets	80	385	259	5,002
Capital assets, gross	57,681,225	0	56,757,088	0
Accumulated depreciation	(28,080,532)	0	(26,786,263)	0
Capital assets, net	29,600,693	0	29,970,825	0
Total noncurrent assets	30,249,480	5,432,180	31,016,616	5,395,258
Total assets	34,374,166	5,758,797	35,269,650	5,605,828
DEFERRED OUTFLOWS OF RESOURCES				
Other postemployment benefits	160,340	0	0	0
Pension	4,149,100	0	4,719,902	0
Total deferred outflows of resources	4,309,440	0	4,719,902	0
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	681,866	69,499	694,243	0
Unearned revenue	478,976	0	405,920	0
Long-term debt, current	196,189	0	135,000	0
Compensated absences, current	55,918	0	28,607	0
Total current liabilities	1,412,949	69,499	1,263,770	0
Noncurrent liabilities				
Long-term debt, noncurrent	5,509,757	0	5,400,000	0
Unearned revenue	2,538	0	0	0
Compensated absences, noncurrent	330,811	0	354,489	0
Net other postemployment benefits liability	4,649,938	0	0	0
Net pension liability	15,796,874	0	23,590,430	0
Total noncurrent liabilities	26,289,918	0	29,344,919	0
Total liabilities	27,702,867	69,499	30,608,689	0
DEFERRED INFLOWS OF RESOURCES				
Other postemployment benefits	1,001,084	0	0	0
Pension	3,773,042	0	2,526,467	0
Total deferred inflows of resources	4,774,126	0	2,526,467	0
NET POSITION				
Net investment in capital assets	24,016,383	0	24,584,949	0
Restricted for				
Nonexpendable				
Scholarship and fellowships	0	2,765,476	0	2,743,483
Expendable				
Scholarships and Grants	0	1,686,337	0	1,671,303
Loans	0	134,666	0	0
Other	35,724	36,338	40,329	0
Capital projects	60,678	712,115	58,863	876,078
Unrestricted	(17,906,172)	354,366	(17,829,745)	314,964
Total net position	$ 6,206,613	$ 5,689,298	$ 6,854,396	$ 5,605,828

The accompanying notes are an integral part of these financial statements.

TERRA STATE COMMUNITY COLLEGE
SANDUSKY COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Years Ended June 30, 2018 and 2017

	2018		2017	
	Terra State Community College	Component Unit Terra College Foundation	Terra State Community College	Component Unit Terra College Foundation
REVENUES				
Operating revenues				
Tuition and fees (net of scholarship allowances of $2,682,853 in 2018 and $2,202,237 in 2017)	$ 3,787,142	$ 0	$ 4,723,846	$ 0
Federal grants and contracts	606,012	0	597,794	0
State grants and contracts	102,258	0	307,685	0
Contributions and fund raising	0	435,922	0	557,754
Sales and services	0	0	0	0
Auxiliary enterprises	483,024	0	902,045	0
Other operating revenues	236,644	0	267,117	0
Total operating revenues	5,215,080	435,922	6,798,487	557,754
OPERATING EXPENSES				
Educational and general				
Instructional	40,889	124,911	5,488,466	181,811
Public service	526,835		702,867	0
Academic support	470,889	0	592,876	0
Student services	1,673,835	0	1,959,413	0
Institutional support	3,634,604	310,319	4,294,473	246,743
Operation and maintenance of plant	1,309,321	0	1,373,867	0
Student financial aid	58,325	160,747	71,351	74,025
Other operating expenses	0	89,712	0	49,515
Depreciation expense	1,304,569	0	1,336,722	0
Auxiliary enterprises	538,639	0	1,206,722	0
Total operating expenses	9,557,906	685,689	17,026,757	552,094
Operating income (loss)	(4,342,826)	(249,767)	(10,228,270)	5,660
NONOPERATING REVENUES (EXPENSES)				
State appropriations	6,429,419	0	6,452,209	0
Federal grants	2,730,215	0	2,250,704	0
Gifts and grants	220,990	0	187,972	0
Investment income	(3,936)	333,237	10,821	622,435
Interest on debt	(183,763)	0	(186,437)	0
Other non-operating expenses	(543,405)	0	0	0
Net nonoperating revenues (expenses)	8,649,520	333,237	8,715,269	622,435
Income before other revenues, expenses, gains and losses	4,306,694	83,470	(1,513,001)	628,095
Capital appropriations	1,058,103	0	0	0
Increase (decrease) in net position	5,364,797	83,470	(1,513,001)	628,095
NET POSITION				
Beginning net position				
Beginning of year, as previously reported	6,854,396	5,605,828	8,367,397	4,977,733
Cumulative effect of accounting change	(6,012,580)	0	0	0
Beginning of year, restated	841,816	5,605,828	8,367,397	4,977,733
Ending net position	$ 6,206,613	$ 5,689,298	$ 6,854,396	$ 5,605,828

The accompanying notes are an integral part of these financial statements.

TERRA STATE COMMUNITY COLLEGE
SANDUSKY COUNTY, OHIO
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended June 30, 2018 and 2017

	2018		2017	
	Terra State Community College	Component Unit Terra College Foundation	Terra State Community College	Component Unit Terra College Foundation
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	$ 3,863,236	$ 0	$ 4,641,935	$ 0
Grants and contracts	605,931	0	866,248	0
Other income	236,644	0	267,117	0
Auxiliary enterprise receipts	483,024	0	902,045	0
Payments to suppliers	(4,191,218)	(324,920)	(5,336,254)	(185,338)
Payroll and fringe benefits	(10,232,063)	0	(11,092,418)	0
Scholarships and fellowships	(58,325)	(160,747)	(71,351)	(74,025)
Contributions	0	379,172	0	174,295
Investment return	0	369,459	0	323,704
Purchase of equipment for Terra State Community College	0	(124,911)	0	(181,812)
Net cash provided (used) by operating activities	(9,292,771)	138,053	(9,822,678)	56,824
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from contributions restricted for long-term purposes	0	74,179	0	276,642
State appropriations	6,429,419	0	6,452,209	0
Grants and contracts other than capital	2,951,205	0	2,438,676	0
Net cash provided by noncapital financing activities	9,380,624	74,179	8,890,885	276,642
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Purchases of capital assets	(1,477,842)	0	(464,556)	0
State appropriations capital	1,058,103	0	0	0
Principal paid on capital debt	170,946	0	(130,000)	0
Interest paid on capital debt	(137,991)	0	(139,990)	0
Net cash provided (used) by capital financing activities	(386,784)	0	(734,546)	0
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in short-term investments	491,762	0	343,866	
Purchase of investments	(519,092)	(378,260)	(519,092)	(322,700)
Proceeds from sale and maturities of investments	868,704	300,000	398,370	0
Interest on investments	43,279	0	62,714	0
Net cash provided (used) by investing activities	884,653	(78,260)	285,858	(322,700)
NET CHANGE IN CASH	585,722	133,972	(1,380,481)	10,766
Cash and cash equivalents - beginning of year	223,745	122,111	1,604,226	111,345
Cash and cash equivalents - end of year	$ 809,467	$ 256,083	$ 223,745	$ 122,111
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	$ (4,342,826)	$ 83,470	$ (10,228,270)	$ 628,095
Adjustments to reconcile net operating income (loss) to net cash used by operating activities:				
Depreciation expense	1,304,569	0	1,336,722	0
Change in assets and liabilities:				
Receivables	(101,839)	17,924	(41,081)	18,128
Inventories	721	0	233,016	0
Other assets	323,603	4,617	(313,716)	6,927
Deferred outflows of resources	469,525	0	(2,841,422)	0
Accounts payable	(58,149)	69,499	(482,711)	(23,403)
Accrued salaries and benefits	3,634	0	(57,978)	0
Deferred inflows of resources	2,247,659	0	(1,024,302)	0
Net OPEB liability	(1,421,706)	0	0	0
Net Pension liability	(7,793,556)	0	3,677,125	0
Unearned revenue	75,594	0	(80,061)	0
Unrealized loss and realized gain on investments	0	36,722	0	(296,281)
Contributions restricted for long-term purposes	0	(74,179)	0	(276,642)
Net cash provided (used) by operating activitities	$ (9,292,771)	$ 138,053	$ (9,822,678)	$ 56,824

The accompanying notes are an integral part of these financial statements.

Note 1 – Summary of Significant Accounting Policies

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

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

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

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

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

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

Restricted net position – nonexpendable. Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2018, the College had no nonexpendable restricted assets.

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.

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 Inflow 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 and other postemployment benefits (OPEB), which are explained in Note 8 and Note 9.

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/OPEB, which are explained in Note 8 and Note 9.

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.

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

Termination Benefits: During 2006 the 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 the 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.

Protection of the College's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Deposits: *Custodial Credit Risk*: Custodial credit risk for deposits is the risk that in the event of bank failure, the College will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018 and 2017, the carrying amounts of the College's deposits in all funds were $809,467 and $223,745 (which consists of cash and cash equivalents, excluding cash on hand of $1,450 and $1,450) and the bank balance was $841,699 and $428,011 respectively. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2018 and 2017. Of the bank balances at June 30, 2018 and 2017, $250,000 and $250,000 was covered by federal depository insurance.

The College has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the College and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.
>
> The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The College's fair value and distribution of investments as of June 30, 2018 are as follows:

Investment Type	Fair Value	< 1 Year	1-5 Years	1-5 Years	Fair Value Hierarchy
Money Market	$238,678	$238,678	$0	$0	N/A
StarOhio	10,289	10,289	0	0	N/A
Negotiable Ceritficates of Deposit	876,507	227,800	648,707	648,707	Level 2
Total	$1,125,474	$476,767	$648,707	$648,707	

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, 2018 the College has the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings AAA	Quality Ratings AAAm	Quality Ratings N/A
Money Market	$238,678	$238,678	$0	$0
StarOhio	10,289	0	10,289	0
Negotiable Ceritficates of Deposit	876,507		0	876,507
Total	$1,125,474	$238,678	$10,289	$876,507

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, 2018, more that 5 percent of the College's investments were in Money Market accounts (21.2%), and Certificates of Deposits (77.9%) investments.

Note 3 – Accounts Receivable

Receivables at June 30, 2018 and 2017 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, 2018 and 2017 are summarized as follows:

	2018			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not depreciated:				
Land	$534,747	$0	$0	$534,747
Construction in progress	0	677,599	(128,107)	549,492
Total capital assets not depreciated	534,747	677,599	(128,107)	1,084,239
Capital assets being depreciated:				
Buildings	40,955,380	0	0	40,955,380
Improvements	5,523,541	128,106	0	5,651,647
Equipment, furniture and books	9,743,421	256,837	(10,300)	9,989,958
Total capital assets depreciated	56,222,342	384,943	(10,300)	56,596,985
Total capital assets	56,757,089	1,062,542	(138,407)	57,681,224
Accumulated depreciation:				
Buildings	(15,447,512)	(704,416)	0	(16,151,928)
Improvements	(2,831,719)	(180,584)	0	(3,012,303)
Equipment, furniture and books	(8,507,033)	(419,567)	10,300	(8,916,300)
Total accumulated depreciation	(26,786,264)	(1,304,567)	10,300	(28,080,531)
Capital assets, net	$29,970,825	($242,025)	($128,107)	$29,600,693

	2017			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not depreciated:				
Land	$534,747	$0	$0	$534,747
Construction in progress	0	409,585	(409,585)	0
Total capital assets not depreciated	534,747	409,585	(409,585)	534,747
Capital assets being depreciated:				
Buildings	40,754,800	200,580	0	40,955,380
Improvements	5,314,536	209,005	0	5,523,541
Equipment, furniture and books	9,688,450	54,971	0	9,743,421
Total capital assets depreciated	55,757,786	464,556	0	56,222,342
Total capital assets	56,292,533	874,141	(409,585)	56,757,089
Accumulated depreciation:				
Buildings	(14,743,096)	(704,416)	0	(15,447,512)
Improvements	(2,656,058)	(175,661)	0	(2,831,719)
Equipment, furniture and books	(8,050,388)	(456,645)	0	(8,507,033)
Total accumulated depreciation	(25,449,542)	(1,336,722)	0	(26,786,264)
Capital assets, net	$30,842,991	($462,581)	($409,585)	$29,970,825

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 2018 the College received $1,058,103 in 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, 2018 and 2017 is summarized as follows:

	2018				
	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond Issues	$5,535,000	$0	($135,000)	$5,400,000	$135,000
Loan Payable	0	305,947	0	305,947	61,189
Total Long-Term Debt	5,535,000	305,947	(135,000)	5,705,947	196,189

	2017				
	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond Issues	$5,665,000	$0	($130,000)	$5,535,000	$135,000

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.

Loan Payable

The College has a pending loan for capital assets in the amount of $305,947 with an interest rate that is a percentage rate above the prime rate. The loan is a secured with the College investments. The loan process will be authorized in October of 2018 and will have monthly payments over 5 years.

Total principal and interest remaining to be paid on these bonds and loan payable are detailed below.

Year End	Principal	Interest	Total
2019	$196,189	$196,699	$392,888
2020	201,189	190,257	391,446
2021	206,189	182,989	389,178
2022	211,190	175,592	386,782
2023	216,190	168,005	384,195
2024-2028	825,000	753,063	1,578,063
2029-2033	980,000	614,088	1,594,088
2034-2038	1,160,000	432,016	1,592,016
2039-2043	1,400,000	193,118	1,593,118
2044	310,000	5,813	315,813
Total	$5,705,947	$2,911,640	$8,617,587

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 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 accrued liabilities on the accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.20% for the first thirty years of service and 2.50% for years of service credit over 30 or $86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

Post-Retirement Increases – Before January 1, 2018; on each anniversary of the initial date of retirement, the allowances of all retirees and survivors are increased by 3% of the base benefit. On or after January 1, 2018; on each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0% nor greater than 2.5%. COLA's shall be suspended for calendar years 2018, 2019, and 2020.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the employer is required to contribute 14% 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% for plan members and 14% 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% was allocated to the Health Care Fund.

The contractually required contribution to SERS was $559,254 for fiscal year 2018 and $562,502 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

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 10 years of qualifying service credit to 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. For the fiscal year ended June

30, 2018, plan members were required to contribute 14% of their annual covered salary. The employer was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was $505,131 for fiscal year 2018 and $558,201 for fiscal year 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$7,181,487	$8,615,387	$15,796,874
Proportion of the Net Pension Liability:			
Current Measurement Date	0.12019670%	0.03626735%	
Prior Measurement Date	0.14636350%	0.03847270%	
Change in Proportionate Share	-0.02616680%	-0.00220535%	
Pension Expense	($782,418)	($4,129,375)	($4,911,793)

At June 30, 2018, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$309,066	$332,686	$641,752
Changes of assumptions	371,360	1,884,280	2,255,640
Changes in employer proportion share of net pension liability	187,322	0	187,322
Contributions subsequent to the measurement date	559,254	505,131	1,064,385
Total Deferred Outflows of Resources	$1,427,002	$2,722,097	$4,149,099
Differences between expected and actual experience	$0	$69,437	$69,437
Net difference between projected and actual earnings on pension plan investments	34,089	284,318	318,407
Changes in employer proportionate share of net pension liability	1,368,397	2,016,801	3,385,198
Total Deferred Inflows of Resources	$1,402,486	$2,370,556	$3,773,042

$1,064,385 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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
2019	($208,681)	($355,019)	($563,700)
2020	57,476	(240,673)	(183,197)
2021	(216,117)	291,596	75,479
2022	(167,416)	150,506	(16,910)
Total	($534,738)	($153,590)	($688,328)

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, 2017, are presented below:

Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 18.20%
COLA or Ad Hoc COLA	0.0% - 2.5% indexed to CPI-W, three year suspension/2018-2020
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions Experience Study Date	5 year period ended June 30, 2015

Prior to 2017, an assumption of 3.0% was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in the 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 an arithmetic weighted average 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%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	10.00%	3.00%
Total	100.00%	

Discount Rate

The total pension liability was calculated using the discount rate of 7.50%. 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 7.50%. 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 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 7.50%, 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 6.50%, or one percentage point higher 8.50% than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	$9,966,038	$7,181,487	$4,848,858

Changes in Benefit Terms

The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	July 1, 2017	July 1, 2016
Inflation	2.50%	2.75%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.45%, net of investment expenses, including inflation	7.75%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.50%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1 2013, or later, 2% COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, dated July 1, 2012.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

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

The following table represents the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.45% or one percentage point higher 8.45% than the current assumption:

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	$12,349,864	$8,615,387	$5,469,650

Changes in Assumptions

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms

Effective July 1, 2017, the COLA was reduced to zero.

Note 9 – Defined Benefit Other Postemployment Benefits (OPEB) Plans

Net Other Postemployment Benefits (OPEB) Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred

The net OPEB liability represents the college’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB 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 these estimates annually.

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The college contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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 on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the

Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% 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 2018, the surcharge obligation was $57,943.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The college's contractually required contribution to SERS was $78,656 for fiscal year 2018. Of this amount $57,943 is reported as accrued liabilities.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The college's proportion of the net OPEB liability was based on the employer's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	$3,234,921	$1,415,017	$4,649,938
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.12053790%	0.03626735%	
Prior Measurement Date	0.14496562%	0.03847270%	
Change in Proportionate Share	-0.02442772%	-0.00220535%	
OPEB Expense	($11,454)	($431,787)	($443,241)

At June 30, 2018, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$81,684	$81,684
Contributions subsequent to the measurement date	78,656	0	78,656
Total Deferred Outflows of Resources	$78,656	$81,684	$160,340
Deferred Inflows of Resources			
Changes of assumptions	$306,977	$113,984	$420,961
Net difference between projected and actual earnings on pension plan investments	8,543	60,481	69,024
Changes in employer proportionate share of net penson liability	511,099	0	511,099
Total Deferred Inflows of Resources	$826,619	$174,465	$1,001,084

$78,656 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	($298,540)	($20,504)	($319,044)
2020	(298,540)	(20,504)	(319,044)
2021	(227,403)	(20,504)	(247,907)
2022	(2,136)	(20,504)	(22,640)
2023	0	(5,383)	(5,383)
Thereafter	0	(5,382)	(5,382)
Total	($826,619)	($92,781)	($919,400)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00%
Future Salary Increases, including inflation	3.50% to 18.20%
Investment Rate of Return	7.50% net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56%
Prior Measurement Date	2.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.63%
Prior Measurement Date	2.98%
Medical Trend Assumption	
Medicare	5.50% to 5.00%
Pre-Medicare	7.50% to 5.00%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	10.00%	3.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease 2.63%	Current Discount Rate 3.63%	1% Increase 4.63%
Proportionate share of the net OPEB liability	$3,906,578	$3,234,921	$2,702,796

	1% Decrease 6.50% decreasing to 4.00%	Current Trend Rate 7.50% decreasing to 5.00%	1% Increase 8.50% decreasing to 6.00%
Proportionate share of the net OPEB liability	$2,624,896	$3,234,921	$4,042,299

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0.00%, effective July 1, 2017
Blended Discount Rate of Return	4.13%
Health Care Cost Trends	6.00% to 11.00% initial, 4.5% ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	

*10 year annualized geometric nominal returns, which includes the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
Proportionate share of the net OPEB liability	$1,899,639	$1,415,017	$1,032,009

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB liability	$983,094	$1,415,017	$1,983,481

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Note 10 - Operating Expenses by Natural Classification

The College's operating expenses by natural classification were as follows for the years ended June 30, 2018 and 2017:

	2018		2017
Salaries and wages	$7,762,794		$8,389,356
Employee benefits	(4,025,175)	*	2,456,484
Utilities	562,265		486,195
Supplies and other services	3,895,128		4,286,648
Depreciation	1,304,569		1,336,722
Student Scolarships and finiancial aid	58,325		71,351
Total	$9,557,906		$17,026,756

*The change in employee benefits expense is due to impact of the pension and OPEB expense (GASB 68/75):

Employee benefits:	
Required pension and OPEB contributions	1,702,295
Effects of GASB68/75	(7,057,329)
Other employee benefits	1,329,859
Total Employee benefits	(4,025,175)

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 maintains comprehensive coverage with private carriers for liability, real property, building contents, cyber, and vehicles. Vehicle policies include liability coverage for bodily and property damage. 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 college also maintains educators' legal liability coverage with private carriers. 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 is a member of Stark County School Council of Governments, a shared risk pool which has was established to provide a partially self-funded health benefits program to its members. The College pays a monthly premium to Council of Governments for its health care coverage.

Note 12 – Noncurrent Liabilities

Noncurrent liabilities at June 30, 2018 and 2017 are summarized as follows:

	2018				
	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Other Liabilities					
Compensated Absences	$383,096	$32,240	($28,607)	$386,729	$55,918
Net Pension Liability	23,590,430	0	(7,793,556)	15,796,874	0
Net OPEB Liability	6,071,644	0	(1,421,705)	4,649,939	0
Series 2013 Bonds	5,535,000	0	(135,000)	5,400,000	135,000
Loan Payable	0	305,947	0	305,947	61,189
Total Other Liabilities	$35,580,170	$338,187	($9,378,868)	$26,539,489	$252,107

	2017				
	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Other Liabilities					
Compensated Absences	$441,072	$67,911	($125,887)	$383,096	$28,607
Net Pension Liability	19,913,305	3,677,125	0	23,590,430	0
Series 2013 Bonds	5,665,000	0	(130,000)	5,535,000	135,000
Total Other Liabilities	$26,019,377	$3,745,036	($255,887)	$29,508,526	$163,607

Note 13 – Contingencies

At June 30, 2018, 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 Disclosures

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:

Investment Type	2018 Fair Value	2017 Fair Value
Money Market Funds	$260,479	$205,416
Debt securities	1,415,191	1,404,113
Equity securities	3,756,125	3,780,727
Total	$5,431,795	$5,390,256

During the years ended June 30, 2018 and 2017, the Foundation made contributions of $369,949 and $305,351 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.

Note 15 - Change in Accounting Principle

For fiscal year 2018, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 85, Omnibus 2017, Statement No. 75, Accounting and Financial Reporting for

Postemployment Benefits Other than Pensions, and related guidance from (GASB) Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the College's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	$6,854,396
Adjustments:	
Net OPEB Liability	(6,071,643)
Deferred Outflow - Payments Subqequent to Measurement Date	59,063
Net Position June 30, 2017, Restated	$841,816

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

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

	2018	2017	2016	2015	2014
College's proportion of the net pension liability	0.12019670%	0.14636350%	0.13938230%	0.15135900%	0.15135900%
College's proportionate share of the net pension liability	$7,181,487	$10,712,458	$7,953,289	$7,660,193	$9,000,834
College's covered-employee payroll	$4,017,871	$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	178.74%	260.50%	175.00%	174.20%	198.00%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	63.00%	69.20%	71.70%	65.50%

* Information prior to 2014 is not available
Note - Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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

	2018	2017	2016	2015
Contractually required contribution	$559,254	$562,502	$636,371	$553,052
Contributions in relation to the contractually required contribution	(559,254)	(562,502)	(636,371)	(553,052)
Contribution Deficiency (Excess)	$0	$0	$0	$0
College covered-employee payroll	$4,142,622	$4,017,871	$4,545,507	$4,196,143
Contributions as a percentage of covered-employee payroll	13.50%	14.00%	14.00%	13.18%

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$609,592	$629,155	$630,396	$617,897	$653,068	$428,473
(609,592)	(629,155)	(630,396)	(617,897)	(653,068)	(428,473)
$0	$0	$0	$0	$0	$0
$4,398,207	$4,545,921	$4,686,957	$4,915,650	$4,823,250	$4,354,400
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

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

	2018	2017	2016	2015	2014
College's proportion of the net pension liability	0.03626735%	0.03847270%	0.04327486%	0.04923745%	0.04923745%
College's proportionate share of the net pension liability	$8,615,387	$12,877,972	$11,959,906	$11,976,252	$14,266,033
College's covered-employee payroll	$3,987,150	$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 co' as a Percentage of Covered Employee Payroll	216.08%	310.60%	264.90%	238.10%	278.40%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

* Information prior to 2014 is not available
Note - Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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

	2018	2017	2016	2015
Contractually required contribution	$505,131	$558,201	$564,937	$632,101
Contributions in relation to the contractually required contribution	(505,131)	(558,201)	(564,937)	(632,101)
Contribution Deficiency (Excess)	$0	$0	$0	$0
College covered-employee payroll	$3,608,079	$3,987,150	$4,035,264	$4,515,007
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$653,992	$666,219	$684,512	$648,458	$545,306	$512,813
(653,992)	(666,219)	(684,512)	(648,458)	(545,306)	(512,813)
$0	$0	$0	$0	$0	$0
$5,030,707	$5,124,764	$5,265,479	$4,988,136	$4,194,664	$3,944,714
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Terra State Community College

Required Supplementary Information

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

School Employees Retirement System of Ohio

*Last Ten Fiscal Years**

	2018	2017
College's proportion of the net OPEB liability	0.12053790%	0.14496562%
College's proportionate share of the net OPEB liability	$3,234,921	$4,132,056
College's covered-employee payroll	$4,017,871	$4,545,507
College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	80.51%	90.90%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

*Information prior to 2017 is not available

Note - Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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

	2018	2017	2016
Contractually required contribution (1)	$78,656	$60,750	$58,944
Contributions in relation to the contractually required contribution	(78,656)	(60,750)	(58,944)
Contribution Deficiency (Excess)	$0	$0	$0
Covered Employee Payroll	$4,142,622	$4,017,871	$4,545,507
Contributions as a Percentage of Covered-Employee Payroll	1.90%	1.51%	1.30%

* Information prior to 2016 is not available.
(1) Includes Surcharge

See accompanying notes to the required supplementary information

Terra State Community College

Required Supplementary Information

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

State Teachers Retirement System of Ohio

*Last Ten Fiscal Years**

	2018	2017
College's proportion of the net OPEB liability	0.03626735%	0.03847270%
College's proportionate share of the net OPEB liability	$1,415,017	$1,939,587
College's covered-employee payroll	$3,987,150	$4,035,264
College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	35.49%	48.07%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

*Information prior to 2017 is not available

Note - Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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

	2018	2017	2016
Contractually required contribution	$0	$0	$0
Contributions in relation to the contractually required contribution	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0
Covered Employee Payroll	$3,608,079	$3,987,150	$4,035,264
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%

* Information prior to 2016 is not available.

See accompanying notes to the required supplementary information

Note 1 - SERS Change in Assumptions-Net Pension Liability

The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Note 2 - STRS Change in Assumptions and Benefit Terms-Net Pension Liability

Changes in Assumptions

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms

Effective July 1, 2017, the COLA was reduced to zero.

Note 3 - SERS Change in Assumptions-Net OPEB Liability

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Note 4 - STRS Change in Assumptions-Net OPEB Liability

For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Terra State Community College

Single Audit Reports

June 30, 2018

PLATTENBURG
Certified Public Accountants

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Terra State Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number		Disbursements
United States Department of Education				
Direct from the Federal Agency				
Student Financial Assistance Cluster:				
Federal Pell Grant Program	N/A	84.063	$	2,621,506
Federal Supplemental Educational Opportunity Grants	N/A	84.007		57,455
Federal Work Study Program	N/A	84.033		54,884
Federal Direct Student Loans	N/A	84.268		4,014,235
Total Student Financial Assistance Cluster				6,748,080
Office of Postsecondary Education				
Higher Education Institutional Aid	P031A150006	84.031		409,868
Passed through the Ohio Department of Education				
Career and Technical Education	VEC PII-P2018-509	84.048		50,136
Total United States Department of Education				7,208,084
National Science Foundation				
Direct from Federal Agency				
Education & Human Resources	N/A	47.076		40,354
Total National Science Foundation				40,354
Small Business Administration				
Passed through the Ohio Department of Development				
Small Business Development Centers	56080	59.037		102,223
Total Small Business Administration				102,223
Total Federal Financial Assistance			$	7,350,661

See accompanying notes to the Schedule of Expenditures of Federal Awards

Terra State Community College

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the College's financial statements. The College did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 2 – Federal Direct Student Loan Program

The College is a direct lender for the Federal Direct Student Loan program. The following represents direct loans originated and disbursed during fiscal year 2018:

CFDA Number	Program Name	Amount	
84.268	Federal Subsidized Direct Loans	$	1,808,774
84.268	Federal Unsubsidized Direct Loans	$	2,199,235
84.268	Federal PLUS Loans	$	6,226
	Total Federal Direct Student Loans	$	4,014,235

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Terra State Community College, Sandusky County, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Terra State Community College (the College), a component unit of the State of Ohio, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 15, 2018, wherein we noted the College adopted GASB No. 75 as disclosed in Note 15.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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Purpose of this Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 15, 2018

PLATTENBURG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

Board of Trustees
Terra State Community College, Sandusky County, Ohio

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the discretely presented component unit of the College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 15, 2018, which contained unmodified opinions on those financial statements, wherein we noted the College adopted GASB No. 75 as disclosed in Note 15. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 15, 2018

TERRA STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant Deficiency(s) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant Deficiency(s) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	
84.007, 84.033, 84.063, & 84.268 Student Financial Assistance Cluster	
Dollar threshold used to distinguish between Type A and Type B Programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

TERRA STATE COMMUNITY COLLEGE
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2018

Summary of Prior Audit Findings:

None Noted

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
NOVEMBER 8, 2018

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