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PERRY & Associates
Certified Public Accountants, A.C.

ZANE STATE COLLEGE
MUSKINGUM COUNTY
Single Audit
For the Year Ended June 30, 2017

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...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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• Association of Certified Anti - Money Laundering Specialists •

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Zane State College, Muskingum County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

December 21, 2017

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Zane State College
Table of Contents
For the Fiscal Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

December 1, 2017

Zane State College
Muskingum County
1555 Newark Road
Zanesville, OH 43701

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of **Zane State College**, Muskingum County, Ohio (the College), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Perry & Associates CPA's A.C.

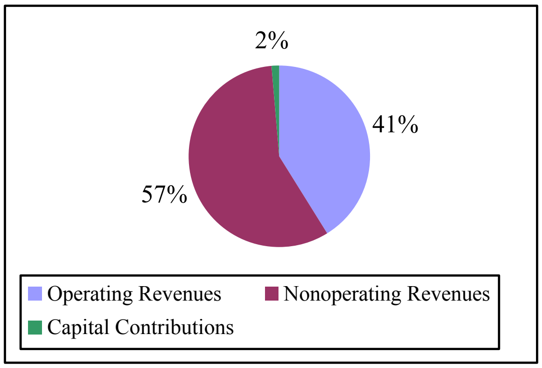
Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

The discussion and analysis of Zane State College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2017. The financial statements and the related footnote disclosures along with the discussion and analysis have been prepared based on information that is the representation of management. Responsibility for the completeness and fairness of this information rests with management. The discussion and analysis contains financial activities of Zane State College.

Financial Highlights

Zane State College's financial position remained stable during the fiscal year ended June 30, 2017. Its combined net position decreased $1,643,738 or 20.4% from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ended June 30, 2017:



Using This Annual Report

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

- **College:** Most of the programs and services generally associated with the College fall into this category, including instruction, research, public service, and support services.

- **Component Unit (Zane State College Foundation):** Most of the College's fund raising and restricted scholarship activity fall into this category.

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

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

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

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

Net Position Changes- College

	6/30/2017	6/30/2016*	Net Change
ASSETS			
Current Assets:			
Cash, cash equivalents and investments	$ 4,051,489	$ 3,674,575	$ 376,914
Cash, cash equivalents and investments held in Escrow	168,915	166,106	2,809
Cash, cash equivalents and investments with Fiscal Agent	-	116,229	(116,229)
Accounts receivable - students, net	1,155,369	1,778,834	(623,465)
Accounts receivable - vendors	254,711	102,788	151,923
Grants receivable	352,993	268,244	84,749
Inventory	267,231	271,824	(4,593)
Total current assets	6,250,708	6,378,600	(127,892)
Noncurrent Assets:			
Capital assets, net of accumulated depreciation	32,604,958	33,408,711	(803,753)
TOTAL ASSETS	38,855,666	39,787,311	(931,645)
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	4,911,330	2,361,226	2,550,104
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 43,766,996	$ 42,148,537	$ 1,618,459
LIABILITIES			
Current Liabilities:			
Accrued wages and benefits	$ 868,877	$ 670,297	$ 198,580
Vouchers payable	242,854	269,995	(27,141)
Compensated absences payable - current portion	68,138	59,431	8,707
Claims payable	192,868	66,953	125,915
Capital lease payable - current portion	102,477	137,303	(34,826)
Accrued interest payable	31,112	27,279	3,833
Unearned tuition and fees revenue	318,611	344,635	(26,024)
Deposits held in custody for others	285,806	221,195	64,611
Payable to Fiscal Agent	128,989	-	128,989
General improvement bond payable - current portion	215,000	210,000	5,000
Bond anticipation notes payable	200,000	1,300,000	(1,100,000)
Total current liabilities	2,654,732	3,307,088	(652,356)
Noncurrent Liabilities:			
Compensated absences payable	580,791	506,577	74,214
Bond anticipation notes payable	1,100,000	-	1,100,000
Capital lease payable	105,330	207,807	(102,477)
Net pension liability	25,614,304	22,600,914	3,013,390
General improvement bonds payable	5,535,000	5,750,000	(215,000)
Total noncurrent liabilities	32,935,425	29,065,298	3,870,127
TOTAL LIABILITIES	35,590,157	32,372,386	3,217,771
DEFERRED INFLOWS OF RESOURCES			
Pensions	1,763,238	1,718,812	44,426
NET POSITION			
Net investment in capital assets	25,347,151	25,803,601	(456,450)
Restricted:			
Expendable:			
Instructional department uses	593,010	735,566	(142,556)
Capital projects	1,487,394	1,530,133	(42,739)
Unrestricted	(21,013,954)	(20,011,961)	(1,001,993)
Total net position	6,413,601	8,057,339	(1,643,738)
TOTAL LIABILITIES, NET POSITION, AND DEFERRED INFLOWS	$ 43,766,996	$ 42,148,537	$ 1,618,459

*As restated, see Note 17 for additional information.

Many end users of this financial statement will gain a clearer understanding of the College's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

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

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

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

Total net position of the College as a whole decreased $1,643,738. The decrease to current and other assets is primarily due to decreases in students accounts receivable and cash, cash equivalents and investments with fiscal agents, which were partially offset by an increase to cash, cash equivalents and investments and vendor accounts receivable. Capital assets, net decreased due to current year depreciation expense, which was partially offset by current year additions. Accounts receivable – students, net decreased as a direct result of lower enrollment. Deferred outflows of resources increased due to pension activity.

Current and other liabilities decreased primarily due the payment of a bond anticipation note, which was partially offset by increases to accrued wages and benefits payable, claims payable, and payable to fiscal agent. Long-term liabilities increased primarily due to net pension liabilities and the issue of a long-term bond anticipation note, which were partially offset by principal payments on debt obligations.

Deferred inflows of resources increased due primarily to pension activity.

Net Position Changes - Component Unit- Zane State College Foundation

	6/30/2017	6/30/2016	Net Change
ASSETS			
Current Assets:			
Cash equivalents	$ 2,410	$ 2,191	$ 219
Investments - Money Market	1,510,674	501,487	1,009,187
Total current assets	1,513,084	503,678	1,009,406
Noncurrent Assets:			
Land Held for College	0	25,000	(25,000)
Endowment Investments	9,481,743	9,386,755	94,988
Total noncurrent assets	9,481,743	9,411,755	69,988
TOTAL ASSETS	$ 10,994,827	$ 9,915,433	$ 1,079,394
NET POSITION			
Restricted:			
Nonexpendable:			
Scholarships	$ 1,950,929	$ 1,974,244	$ (23,315)
Professorships	5,250,000	5,250,000	0
Expendable:			
Scholarships	2,932,030	1,165,791	1,766,239
Capital Projects	329,929	250,821	79,108
Unrestricted	531,939	1,274,577	(742,638)
TOTAL NET POSITION	$ 10,994,827	$ 9,915,433	$ 1,079,394

The increase to Endowment Investments and Investments - Money Market is due primarily to the Foundation receiving contributions during fiscal year 2017. Expendable Scholarships increased due to increased investment income.

Operating Revenues and Expenses for FY2017 versus FY2016
College

	6/30/2017	6/30/2016*	Net Change
Operating Revenues			
Tuition and fees (net of scholarship allowance)	$ 5,641,522	$ 6,109,765	$ (468,243)
State grants and contracts	161,237	131,230	30,007
Federal grants and contracts	633,735	980,943	(347,208)
Private gifts, grants and contributions	429,227	394,322	34,905
Auxiliary services	1,692,573	1,749,220	(56,647)
Other	49,971	105,459	(55,488)
Total operating revenues	8,608,265	9,470,939	(862,674)
Operating Expenses (Includes depreciation expense)	22,533,693	23,871,318	(1,337,625)
Operating Loss	(13,925,428)	(14,400,379)	474,951
Nonoperating Revenues (Expenses)			
State appropriations	8,941,817	8,892,416	49,401
Federal grants	3,072,487	3,371,377	(298,890)
Investment income	5,066	9,428	(4,362)
Other nonoperating revenues	-	14,391	(14,391)
Other nonoperating expenses	(207,840)	(220,713)	12,873
Net nonoperating revenues (expenses)	11,811,530	12,066,899	(255,369)
Income Before Other Revenues, Expenses, Gains, or Losses	(2,113,898)	(2,333,480)	219,582
Capital Contributions	470,160	2,369,662	(1,899,502)
Total Other Revenues	470,160	2,369,662	(1,899,502)
Increase (Decrease) in net position	(1,643,738)	36,182	(1,679,920)
Net Position, beginning of year	8,057,339	8,021,157	(36,182)
Net Position, end of year	$ 6,413,601	$ 8,057,339	$ (1,643,738)

*As restated, see Note 17 for additional information.

Tuition and fees decreased due to lower enrollment in 2017 from 2016. Federal grants decreased due to the College entering into the final year of the TAACCCT program. Operating expenses decreased due primarily to institutional support, academic support and operation of maintenance of plant, which were partially offset by increases in student support. Federal grants decreased due to enrollment trends. Capital contributions decreased due to monies received from the Foundation decreasing during 2017.

Changes in Revenues and Expenses for FY2017 versus FY2016
Component Unit- Zane State College Foundation

	6/30/2017	6/30/2016	Net Change
Operating Revenues			
In-kind Contribution (ZSC)*	$ 242,909	$ 219,690	$ 23,219
Contributions	275,606	185,958	89,648
Total operating revenues	518,515	405,648	112,867
Operating Expenses	270,188	233,092	37,096
Operating Income	248,327	172,556	75,771
Nonoperating Revenues (Expenses)			
Investment income	1,058,519	14,552	1,043,967
College support - capital	(18,322)	(1,368,767)	1,350,445
College support - operating	(198,584)	(184,920)	(13,664)
Scholarships	(204,605)	(333,570)	128,965
Net nonoperating revenues (expenses)	637,008	(1,872,705)	2,509,713
Change in Net Position before Capital Contributions	885,335	(1,700,149)	2,585,484
Capital Contributions	194,059	379,331	(185,272)
Change in Net Position	1,079,394	(1,320,818)	2,400,212
Net Postion, beginning of year	9,915,433	11,236,251	(1,320,818)
Net Position, end of year	$ 10,994,827	$ 9,915,433	$ 1,079,394

*See Note 10, page 29.

Increases to investment income were due to increases in market value, types, and amounts of investments held at June 30, 2017. College support decreased due to less contributions made to the College as a result of construction projects ending.

Operating Expenses for FY2017 versus FY2016
College

	6/30/2017	6/30/2016	Net Change
Operating Expenses			
Educational and General			
Instructional	$ 8,765,300	$ 8,860,487	$ (95,187)
Academic support	1,185,555	1,720,414	(534,859)
Student services	4,750,281	4,504,310	245,971
Institutional support	3,211,114	3,629,085	(417,971)
Depreciation	1,656,842	1,775,835	(118,993)
Operation and maintenance of plant	1,334,480	1,640,713	(306,233)
Total Educational and General	20,903,572	22,130,844	(1,227,272)
Auxiliary Enterprises			
Bookstore	1,537,544	1,581,936	(44,392)
Security and other auxiliary	92,577	158,538	(65,961)
Total Auxiliary Enterprises	1,630,121	1,740,474	(110,353)
Total Operating Expenses	$ 22,533,693	$ 23,871,318	$ (1,337,625)

Academic support decreased due to Developmental Education being eliminated as a separate department which streamlined processing and reduced headcount. Institutional Support decreased due to new IT leadership and right sizing staffing efforts along with the reduction of on-going maintenance contracts. The grants and contract department was also eliminated during 2017. Operation and maintenance of plant decreased due to the College no longer outsourcing cleaning contracts.

Operating Expenses for FY2017 versus FY2016
Component Unit- Zane State College Foundation

	6/30/2017	6/30/2016	Net Change
Operating Expenses			
Educational and General			
General and administrative	$ 270,188	$ 233,092	$ 37,096
Total Educational and General	270,188	233,092	37,096
Total Operating Expenses	$ 270,188	$ 233,092	$ 37,096

The Statement of Cash Flows

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

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

Cash Flows
FY 2017 Versus FY 2016
College

	6/30/2017	6/30/2016	Net Change
Cash provided (used) by:			
Operating activities	$ (10,821,637)	$ (12,665,119)	$ 1,843,482
Noncapital financing activities	12,014,304	12,263,793	(249,489)
Capital and related financing activities	(934,239)	(39,649)	(894,590)
Investing activities	5,066	9,428	(4,362)
Net increase (decrease) in cash	263,494	(431,547)	695,041
Cash, beginning of year	3,956,910	4,388,457	(431,547)
Cash, end of year	$ 4,220,404	$ 3,956,910	$ 263,494

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

Capital and Debt Administration

Capital Assets

At June 30, 2017, the College had $32,604,958 invested in capital assets, net of accumulated depreciation of $21,818,928. Depreciation charges totaled $1,656,842 for the current fiscal year. Details of these assets for the two years are shown below:

Capital Assets, Net, at Year-End - College

	6/30/2017	6/30/2016*	Net Change
Land	$ 413,225	$ 413,225	$ -
Construction in Progress	-	716,938	(716,938)
Buildings	29,872,433	29,775,026	97,407
General infrastructure	203,946	219,864	(15,918)
Machinery and equipment	1,513,869	1,776,877	(263,008)
Computers	547,013	450,675	96,338
Computer Software	14,698	26,997	(12,299)
Motor Vehicles	35,554	22,526	13,028
Library books	4,220	6,583	(2,363)
Total Capital Assets, Net	$ 32,604,958	$ 33,408,711	$ (803,753)

*As restated, see Note 17 for additional information.

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

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

Debt

At June 30, 2017, the College had $7,257,807 in debt outstanding versus $6,305,110 in the previous year. The table below summarizes these amounts by type of debt instrument.

	6/30/2017	6/30/2016	Net Change
Lease Obligations	$ 207,807	$ 345,110	$ (137,303)
General Improvement Bonds	5,750,000	5,960,000	(210,000)
Bond Anticipation Note Payable	1,300,000	-	1,300,000
	$ 7,257,807	$ 6,305,110	$ 952,697

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

Economic Factors that Will Affect the Future

The bulk of the College's revenues come from the State (SSI) and from tuition & fees (enrollment). The funding formula for distribution of funds to the two year college sector has been modified in recent years. Instead of being purely enrollment driven, it now focuses on completion and student success measures, areas where the College does better than the norm. Other institutions are now progressing in these success measures causing SSI distributions to shift to them. The College has adopted a high level goal to increase student completions to 40% which will help improve the SSI share. Student completion was 36% this past year which is the best in the State.

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

In Fiscal Year 2019 the Ohio Department of Higher Education will require a floor of $40 per credit hour in the high schools for College Credit Plus. The College currently charges $0 but will request approval by the Chancellor to gradually take the rate to $40. College Credit Plus students lead to enrollment growth, and eventually more SSI funding, but not necessarily an increase in tuition and fees. The College plans to begin charging again in the future as the floor is being required by the State.

Contacting the College's Financial Management

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

Zane State College
Statement of Net Position
As of June 30, 2017

	College	Component Unit
	Zane State College	Zane State College Foundation
ASSETS		
Current Assets:		
Cash, cash equivalents and investments	$ 4,051,489	$ 2,410
Cash, cash equivalents and investments held in Escrow	168,915	-
Cash, cash equivalents and investments with Fiscal Agent	-	-
Investments - Money Market	-	1,510,674
Accounts receivable - students, net	1,155,369	-
Accounts receivable - vendors	254,711	-
Grants receivable	352,993	-
Inventory	267,231	-
Total current assets	6,250,708	1,513,084
Noncurrent Assets:		
Capital assets, net	32,604,958	-
Land held for College	-	-
Endowment investments	-	9,481,743
Total noncurrent assets	32,604,958	9,481,743
TOTAL ASSETS	38,855,666	10,994,827
DEFERRED OUTFLOWS OF RESOURCES		
Pensions:		
State Teachers Retirement System	2,783,155	-
School Employees Retirement System	2,128,175	-
Total pensions	4,911,330	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 43,766,996	$ 10,994,827
LIABILITIES		
Current Liabilities:		
Accrued wages and benefits	$ 868,877	$ -
Vouchers payable	242,854	-
Claims payable	192,868	-
Capital lease payable	102,477	-
Compensated absences payable	68,138	-
Accrued interest payable	31,112	-
Unearned tuition and fees revenue	318,611	-
Deposits held in custody for others	285,806	-
Payable to Fiscal Agent	128,989	-
General improvement bonds payable	215,000	-
Bond anticipation notes payable	200,000	-
Total current liabilities	2,654,732	-
Noncurrent Liabilities:		
Compensated absences	580,791	-
General improvement bonds payable	5,535,000	-
Bond anticipation notes payable	1,100,000	-
Net Pension Liability	25,614,304	-
Capital lease payable	105,330	-
Total noncurrent liabilities	32,935,425	-
TOTAL LIABILITIES	35,590,157	-
DEFERRED INFLOWS OF RESOURCES		
Pensions:		
State Teachers Retirement System	1,421,268	-
School Employees Retirement System	341,970	-
Total pensions	1,763,238	-
NET POSITION		
Net investment in capital assets	25,347,151	-
Restricted:		
Nonexpendable:		
Scholarships	-	1,950,929
Professorships	-	5,250,000
Expendable:		
Scholarships	-	2,932,030
Instructional Department uses	593,010	-
Capital projects	1,487,394	329,929
Unrestricted	(21,013,954)	531,939
Total net position	6,413,601	10,994,827
TOTAL LIABILITIES, NET POSITION, AND DEFERRED INFLOWS OF RESOURCES	$ 43,766,996	$ 10,994,827

See accompanying notes to the financial statements.

Zane State College
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2017

	College Zane State College	Component Unit Zane State College Foundation
REVENUE:		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of $2,333,943)	$ 5,641,522	$ -
In-kind contributions	-	242,909
Federal grants and contracts	633,735	-
State grants and contracts	161,237	-
Private gifts and grants	429,227	-
Contributions	-	275,606
Auxiliary Enterprises:		
Bookstore	1,639,570	-
Campus security	53,003	-
Other sources	49,971	-
Total Operating Revenues	8,608,265	518,515
EXPENSES:		
Operating Expenses:		
Educational and General:		
Instructional	8,765,300	-
Academic support	1,185,555	-
Student services	4,750,281	-
Institutional support	3,211,114	-
Depreciation	1,656,842	-
General & administrative	-	270,188
Operation and maintenance of plant	1,334,480	-
Total Educational and General	20,903,572	270,188
Auxiliary Enterprises:		
Bookstore	1,537,544	-
Campus security	87,535	-
Other auxiliary	5,042	-
Total Operating Expenses	22,533,693	270,188
Operating Income (Loss)	(13,925,428)	248,327
NONOPERATING REVENUES (EXPENSES):		
Federal grants	3,072,487	-
State appropriations	8,941,817	-
Investment income	5,066	1,058,519
Interest on capital asset-related debt	(207,840)	-
Scholarships	-	(204,605)
College support - capital	-	(18,322)
College support - operating	-	(198,584)
Net nonoperating revenues (expenses)	11,811,530	637,008
Income before other revenues, expenses, gains or losses	(2,113,898)	885,335
Capital contributions	470,160	194,059
Total other revenues	470,160	194,059
Increase (Decrease) in Net Position	(1,643,738)	1,079,394
Net Position, Beginning of Year - As Restated, See Note 17	8,057,339	9,915,433
Net Position, End of Year	$ 6,413,601	$ 10,994,827

See accompanying notes to the financial statements.

Zane State College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	College	Component Unit
	Zane State College	Zane State College Foundation
Cash Flows from Operating Activities:		
Tuition and Fees	$ 6,151,651	$ -
Grants and Contracts	1,139,450	-
Payments to Suppliers	(9,625,899)	-
Payments to Employees for Wages and Benefits	(10,229,383)	-
Bookstore	1,639,570	-
Campus Security	53,003	-
Contributions	-	275,606
Other Receipts	49,971	-
Other Expenses	-	(27,279)
Net Cash Provided (Used) by Operating Activities	(10,821,637)	248,327
Cash Flows from Non-Capital and Related Financing Activities:		
State Appropriations	8,941,817	-
Federal Grants	3,072,487	-
College Support - Capital	-	(198,584)
Scholarships	-	(204,605)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	12,014,304	(403,189)
Cash Flows from Capital and Related Financing Activities:		
Purchases of Capital Assets	(853,089)	-
Capital Contributions	470,160	194,059
College Support - Capital	-	(18,322)
Proceeds from Bond Anticipation Notes	1,300,000	-
Premium on Bond Anticipation Note Issuance	-	-
Proceed from Disposal of Capital Asset	-	25,000
Principal Paid on Capital Leases, Loans, and Notes	(1,647,303)	-
Interest Paid	(204,007)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(934,239)	200,737
Cash Flows from Investing Activities:		
Interest on Investments	5,066	1,058,519
Proceeds from Sales and Maturities of Investments	-	(94,988)
Net Cash Provided by Investing Activities	5,066	963,531
Net Increase (Decrease) in Cash and Cash Equivalents	263,494	1,009,406
Cash and Cash Equivalents at Beginning of Year	3,956,910	503,678
Cash and Cash Equivalents at End of Year	$ 4,220,404	$ 1,513,084
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:		
Operating Income (Loss)	$ (13,925,428)	$ 248,327
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:		
Depreciation	1,656,842	-
Pension Expense Adjustments Not Affecting Cash	507,712	-
Change in Assets and Liabilities:		
Accounts Receivable, net	471,542	-
Grants Receivable	(84,749)	-
Inventories	4,593	-
Claims Payable	125,915	-
Vouchers Payable (Operating)	(27,141)	-
Accrued Wages and Benefits	198,580	-
Compensated Absences	82,921	-
Unearned Tuitions and Fees Revenue	(26,024)	-
Deposits Held in Custody for Others	64,611	-
Payable to Fiscal Agent	128,989	-
Net Cash Provided by (Used for) Operating Activities	$ (10,821,637)	$ 248,327
Non-Cash Transactions:		
In-kind Contributions	$ -	$ 242,909
In-kind Disbursements	-	(242,909)
Total Non-Cash Transactions	$ -	$ -

See accompanying notes to the financial statements.

NOTE 1 – DESCRIPTION OF THE COLLEGE AND REPORTING ENTITY

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

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

B. Basis of Accounting

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

C. Cash and Cash Equivalents

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

D. Investments

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

E. Receivables

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

F. Inventories

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

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

G. Capital Assets

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

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

The College's policy is to capitalize net interest on construction projects until substantial completion of the projects. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2017, no material interest costs were incurred on construction projects for the College.

H. Noncurrent Long-Term Liabilities

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

I. Compensated Absences

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

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

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

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

J. Unearned Revenue

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

K. Net Position

The College's net position is classified as follows:

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

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

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

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

L. Scholarship Allowances and Student Aid

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

M. Revenue and Expense Recognition

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

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

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

N. Budgetary Process

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

O. Income Taxes

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

P. Use of Estimates

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

Q. Deferred Outflows and Deferred Inflows of Resources

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

R. Pensions

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

S. Self Insurance

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

NOTE 3 – STATE SUPPORT

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

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

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

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

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

NOTE 4 – DEPOSITS

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

As of June 30, 2017, the College’s bank balance was $3,558,474, of which $1,000,000 was covered by FDIC and the remaining balance was collateralized by the financial institution’s public entity deposit pool in the manner described above.

Investments At fiscal year end, the College had the following investments and maturities:

	Carrying/Fair Value	Weighted Average Maturity (Years)
Negotiable Certificates of Deposit	$ 198,087	<1 Year
Federal Home Loan Mort Corp	496,470	3-5 Years
Total	$ 694,557	

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 above table identifies the College’s recurring fair value measurements as of June 30, 2017. All other investments of the College are valued using quoted market prices (Level 1 inputs).

NOTE 4 – DEPOSITS (Cont.)

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 investment policy does not address interest rate risk beyond the requirements of the Ohio Revised Code.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College limits their investments to Negotiable Certificates of Deposit and Federal Home Loan Mortgage Corporation. Investments in Federal Home Loan Mortgage Corporation were rated AA+ by Standard & Poor's and Aaa by Moody's. The School District's investments in individual marketable certificates of deposit are fully insured by the Federal Deposit Insurance Corporation. The College's investment policy does not address credit risk beyond the requirements of the Ohio Revised Code.

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. 28.5% of the College's investments are in negotiable certificates of deposit, while 71.5% are in Federal Home Loan Mortgage Corporation. The College investment policy allows for a maximum of 75% of the College's total investment portfolio to be invested in a single security type unless that security provides the highest rate of return at an acceptable level of safety for preservation of capital. There are no further restrictions on the amounts the College may invest in a single issuer beyond the requirements of the Ohio Revised Code.

Custodial credit risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the College's securities are either insured and registered in the name of the College or at least registered in the name of the College. The College's investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2017 were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 1,370,012	$ (214,643)	$ 1,155,369
Grants	352,993	-	352,993
Vendor	254,711	-	254,711
Total Accounts Receivable	$ 1,977,716	$ (214,643)	$ 1,763,073

NOTE 6 – DONOR RESTRICTED ENDOWMENTS

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

At June 30, 2017, there was no net appreciation on donor-restricted assets available to be spent. There were no donor restricted endowments at June 30, 2017.

NOTE 7 – CAPITAL ASSETS

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

	Balance at 7/1/2016*	Increases	Decreases	Balance at 6/30/2017
Capital Assets, Non-Depreciable:				
Land	$ 413,225	$ -	$ -	$ 413,225
Construction in Progress	716,938	168,133	(885,071)	-
Total Non-Depreciable	1,130,163	168,133	(885,071)	413,225
Capital Assets, Depreciable:				
Buildings	44,625,807	1,226,315	-	45,852,122
General Infrastructure	397,958	-	-	397,958
Machinery and Equipment	3,787,950	29,480	-	3,817,430
Computers	2,488,755	279,961	-	2,768,716
Computer Software	434,845	11,271	-	446,116
Motor Vehicles	136,166	23,000	-	159,166
Library books	569,153	-	-	569,153
Total Depreciable	52,440,634	1,570,027	-	54,010,661
Less Accumulated Depreciation:				
Buildings	(14,850,781)	(1,128,908)	-	(15,979,689)
General Infrastructure	(178,094)	(15,918)	-	(194,012)
Machinery and Equipment	(2,011,073)	(292,488)	-	(2,303,561)
Computers	(2,038,080)	(183,623)	-	(2,221,703)
Computer Software	(407,848)	(23,570)	-	(431,418)
Motor Vehicles	(113,640)	(9,972)	-	(123,612)
Library books	(562,570)	(2,363)	-	(564,933)
Total Depreciation	(20,162,086)	(1,656,842)	-	(21,818,928)
Total Capital Assets, Depreciable, net	32,278,548	(86,815)	-	32,191,733
Capital Assets, net	$ 33,408,711	$ 81,318	$ (885,071)	$ 32,604,958

* As restated, see Note 17 for additional information.

NOTE 8 – LONG-TERM LIABILITIES

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

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amount Due Within One Year
Compensated Absences	$ 566,008	$ 648,929	$ (566,008)	$ 648,929	$ 68,138
General Improvement Bond	5,960,000	-	(210,000)	5,750,000	215,000
Bond Anticipation Note	-	1,300,000	-	1,300,000	200,000
Lease Obligations	345,110	-	(137,303)	207,807	102,477
Net Pension Liability:					
STRS	15,200,306	1,574,287	-	16,774,593	-
SERS	7,400,608	1,439,103	-	8,839,711	-
Total Net Pension Liability	22,600,914	3,013,390	-	25,614,304	-
Long-Term Liabilities	$ 29,472,032	$ 4,962,319	$ (913,311)	$ 33,521,040	$ 585,615

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

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

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

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

During fiscal year 2016, the College issued long-term bond anticipation notes in the amount of $1,300,000 with the Zane State College Foundation. The purpose of bond anticipation notes was to pay in full the bond anticipation note that was held by Fifth Third Securities and matured on December 15, 2016.

Principal and interest requirements to retire bonds and notes outstanding at June 30, 2017, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Principal	Interest
2018	$ 215,000	$ 150,202	$ 200,000	$ 35,100
2019	220,000	145,852	250,000	29,700
2020	225,000	141,402	250,000	22,950
2021	230,000	136,852	300,000	16,200
2022	235,000	132,202	300,000	8,100
2023-2027	1,245,000	581,178	-	-
2028-2032	1,400,000	417,219	-	-
2033-2037	1,625,000	191,534	-	-
2038	355,000	5,769	-	-
	$ 5,750,000	$ 1,902,210	$ 1,300,000	$ 112,050

NOTE 9 – CAPITAL LEASES

The College leases copiers, computers and related equipment under capital leases. Capital leases are capitalized as capital assets, net, with a corresponding liability. Capital assets acquired by lease have been capitalized in the statement of net position in the amount of $1,652,833, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Principal payments in fiscal year 2017 totaled $137,303.

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2017:

Year Ending December 31,	
2018	$108,262
2019	108,262
Minimum lease payments	216,524
Less: Amount representing interest at the College's incremental borrowing rate	(8,717)
Present value of minimum lease payments	$207,807

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION

Description of the Foundation

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

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

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

A. To accept, acquire, receive, take, and hold by bequest, devise, grant, gift, purchase, exchange, lease, transfer, judicial order or decree, or otherwise, for any of its objects and purposes, any property, both real and personal, whatever kind, nature or description and wherever situated;

B. To seal, exchange, convey, mortgage, lease, transfer, or otherwise dispose of any such property, both real and personal, as the objects and purposes of the Foundation may require, subject to such limitations as may be prescribed by law; and

C. To invest and reinvest its funds in such savings accounts, stocks, bonds, debentures, mortgages, or in such other securities, investments, and property as the Board of Directors shall deem advisable, subject to the limitations and conditions contained in any bequest, devise, grant, or gift, provided such limitations and conditions are not in conflict with those provisions of the Internal Revenue Code and its regulations dealing with organizations exempt from taxation under Section 501(c)(3), as such provisions now exist or as they may hereafter be amended.

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

Financial Statement Presentation

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

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

Summary of Significant Accounting Policies

Net Position Classifications

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

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

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

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

Income Tax Status

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

Cash and Investments

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

At June 30, 2017, the carrying amount of the Foundation's deposits was $2,410 and the bank balance of the Foundation's deposits was $18,141. At June 30, 2017, the entire amount was covered by Federal Deposit Insurance.

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

The following summarizes the market value of investments at June 30, 2017:

		Years			
Investment Type	Market Value	Less than 1	1-3	3-5	5-10
Common Stock	$ 4,110,953	$ 4,110,953	$ -	$ -	$ -
Mutual Funds	1,915,897	1,915,897	-	-	-
Federal Farm Credit Bank Bonds	398,928	-	-	-	398,928
Federal Home Loan Mortgage Corporation	149,697	-	-	149,697	-
Federal National Mortgage Association	150,513	-	150,513	-	-
US Treasury Notes/Bonds	903,639	150,129	150,335	-	603,175
Zane State College	1,300,000	-	-	1,300,000	-
Corporate Bonds	552,116	552,116	-	-	-
Money Markets	1,510,674	1,510,674	-	-	-
	$ 10,992,417	$ 8,239,769	$ 300,848	$ 1,449,697	$ 1,002,103

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The fair value of investments held by the Foundation at June 30, 2017 is summarized as follows:

Investment Type	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	$ 4,110,953	$ -	$ -
Mutual Funds	1,915,897	-	-
Federal Farm Credit Bank Bonds	398,928	-	-
Federal Home Loan Mortgage Corporation	149,697	-	-
Federal National Mortgage Association	150,513	-	-
US Treasury Notes/Bonds	903,639	-	-
Zane State College	-	-	1,300,000
Corporate Bonds	552,116	-	-
Money Markets	1,510,674	-	-
	$ 9,692,417	$ -	$ 1,300,000

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

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

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

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

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. The Foundation did not have any deficiencies of this nature as of June 30, 2017.

Donated Facilities/Operating Expenses

The Foundation occupies office space at Zane State College located at 1555 Newark Road, Zanesville, Ohio. No rent is paid by the Foundation. Zane State College pays operating expenses for the Foundation. The value of the operating expenses paid by the College was $242,909. This amount has been recorded in the financial statements as a contribution to and an expense from unrestricted net position and is described in the revenue section as in-kind contributions (ZSC), see MD&A, page 9.

Net Assets Released from Restrictions

Net assets were released from donor restrictions in fiscal year 2017 by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. The Foundation distributed $202,605 in scholarships that related to the satisfaction of these donor restrictions.

Assets Held for College

The Foundation acquired land during fiscal year 2013 for $25,000. The land was sold in July of 2016 to a non-profit group for $25,000.

NOTE 11 – PENSION AND RETIREMENT 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.

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year in included in *intergovernmental payable* on both the accrual and modified 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 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; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire allocation was allocated to pension, death benefits, and Medicare B. There was no percentage allocated to the Health Care Fund for fiscal year 2017.

The College's contractually required contribution to SERS was $487,693 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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year June 30, 2017, the employer rate was 14% and the member rate was 14% of covered payroll. The statutory employer rate for fiscal year 2016 and subsequent years is 14%. The statutory member contribution rate increased to 14% on July 1, 2016. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS Ohio was $712,639 for fiscal year 2017.

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

The net pension liability reported as of June 30, 2017 was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability - Current Year	0.1207763%	0.05011378%	
Proportionate Share of the Net Pension Liability - Prior Year	0.1296965%	0.05499969%	
Change in Proportionate Share	-0.0089202%	-0.00488591%	
Proportion of the Net Pension Liability	$8,839,711	$16,774,593	$25,614,304
Pension Expense	$863,493	$844,551	$1,708,044

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

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

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

Deferred Outflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$125,325	$677,774	$803,099
Difference from a change in proportion and differences between College contributions and proportionate share of contributions	195,910	-	195,910
Changes of assumptions	590,099	-	590,099
Differences between projected and actual investment earnings	729,148	1,392,742	2,121,890
College contributions subsequent to the measurement date	487,693	712,639	1,200,332
Total	$2,128,175	$2,783,155	$4,911,330

Deferred Inflows of Resources	**SERS**	**STRS**	**Total**
Difference from a change in proportion and differences between College contributions and proportionate share of contributions	$341,970	$1,421,268	$1,763,238
Total	$341,970	$1,421,268	$1,763,238

$1,200,332 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$326,210	($55,236)	$270,974
2019	326,211	(55,234)	270,977
2020	436,491	484,287	920,778
2021	209,600	275,431	485,031
Total	$1,298,512	$649,248	$1,947,760

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

Actuarial Assumptions - SERS

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

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

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

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

Future Salary Increases, including inflation	4.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Inflation	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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.

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

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

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

Actuarial Assumptions – SERS (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
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 Estate	15.00	5.00
Multi-Asset Strategy	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net pension liability	$11,703,226	$8,839,711	$6,442,829

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

Actuarial Assumptions - STRS

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

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

Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return*
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

* Includes the real rate of return and inflation of 2.5% and does not include investment expenses.

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

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

Actuarial Assumptions – STRS (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	$22,292,071	$16,774,593	$12,120,275

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to College’s NPL is expected to be significant.

Alternative Retirement Plan

The College offers a defined contribution plan as an alternative to participation with State mandated defined benefit plans in accordance with state law. Non-elective employee contributions and employer contributions are made to the plan in amounts equivalent to the participant’s compensation which would have otherwise been contributed to the State Retirement System that applies to the participant’s position. There were no participants in the program as of June 30, 2017. Contributions to the plan for the fiscal years ended June 30, 2017, 2016 and 2015 were $0 for each year.

NOTE 12 – POST-EMPLOYMENT BENEFITS

State Teachers Retirement System

Plan Description – The College participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. 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 Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to post-employment health care. The College’s contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $0 for each year.

NOTE 12 – POST-EMPLOYMENT BENEFITS (Cont.)

School Employees Retirement System

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

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2017, 2016, and 2015, the health care allocations were 0 percent, 0 percent, and 0.82 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at $23,500.

The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the College, the amounts assigned to health care, including the surcharge, during the 2017, 2016, and 2015 fiscal years equaled $0, $0, and $32,017, respectively, which is equal to the required amounts for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care plan is included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

NOTE 13 – RISK MANAGEMENT

A. Property and Liability

The College is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the College contracted through the Young Insurance Agency for liability, property, vehicle insurance, and errors and omissions insurance with Ohio Casualty Company.

Coverage provided is as follows:

Umbrella Liability ($10,000 deductible)	$ 4,000,000 limit
Building and Contents - replacement cost ($10,000 deductible)	62,364,364 limit
Inland Marine Watercraft ($1,000 deductible)	49,429 limit
Inland Marine Contractor Equipment ($5,000 deductible)	162,703 limit
Inland Marine EDP coverage Main ($10,000 deductible)	525,000 limit
Boiler and Machinery ($10,000 deductible)	62,364,364 limit
Theft, Disappearance and Destruction ($5,000 deductible)	75,000 limit
	inside and outside premises
Data Compromise ($2,500 deductible)	250,000 limit
Employee Dishonesty Insurance ($5,000 deductible)	100,000 limit each employee
Automobile Liability - Bodily Injury and Property Damage ($500 deductible)	1,000,000 each accident
General and Professional Liability Insurance	1,000,000 each occurrence
	2,000,000 aggregate

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

B. Workers' Compensation and Healthcare

For fiscal year 2017, the College participated in the Ohio College Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the College by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating colleges is calculated as one experience and a common premium rate is applied to all colleges in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to colleges that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

The College is self-insured for health claims. The College estimates the liability for health claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. The liability is recorded within other accrued liabilities in the statement of net position. Changes in the estimated liability for fiscal years ended June 30, 2017 and 2016 was as follows:

	Health Claims	
	2017	2016
Unpaid claims – Beginning of year	$66,953	$0
Incurred claims, including claims incurred but not reported	1,432,188	539,115
Claims payments	(1,306,273)	(472,162)
Unpaid claims – End of year	$192,868	$66,953

NOTE 14 – CONTINGENCIES

A. Grants

The College received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Current Unrestricted Educational and General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the College at June 30, 2017.

B. Litigation

The College is not currently party to any legal proceedings.

NOTE 15 – NET POSITION RESTRICTED BY ENABLING LEGISLATION

Of the College's $2,080,404 in restricted net position, none was restricted by enabling legislation.

NOTE 16 - NOTES PAYABLE

On December 17, 2015, the College issued bond anticipation notes. The notes were issued in the amount of $1,300,000 with an interest rate of 2.125%. The notes matured on December 15, 2016.

NOTE 17 – RESTATEMENT OF NET POSITION

A restatement to net position was made due to a restatement of the College's capital assets. The restatement increased net position in the amount of $716,938.

Zane State College

Required Supplementary Information

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

School Employees Retirement System of Ohio

Last Four Years (1)

	2016	2015	2014	2013
Total plan pension liability	$ 19,770,708,121	$ 18,503,280,961	$ 17,881,827,171	$ 17,247,161,078
Plan net position	12,451,630,823	12,797,184,030	12,820,884,107	11,300,482,029
Net pension liability	7,319,077,298	5,706,096,931	5,060,943,064	5,946,679,049
College's proportion of the net pension liability	0.1207763%	0.1296965%	0.1231800%	0.1231800%
College's proportionate share of the net pension liability	$ 8,839,711	$ 7,400,608	$ 6,234,070	$ 7,325,119
College's covered-employee payroll	$ 3,750,864	$ 3,904,423	$ 3,579,380	$ 3,412,970
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	235.67%	189.54%	174.17%	214.63%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available

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

Zane State College

Required Supplementary Information

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

State Teachers Retirement System of Ohio

Last Four Years (1)

	2016	2015	2014	2013
Total plan pension liability	$ 100,756,422,489	$ 99,014,653,744	$ 96,167,057,104	$ 94,366,693,720
Plan net position	67,283,408,184	71,377,578,736	71,843,596,331	65,392,746,348
Net pension liability	33,473,014,305	27,637,075,008	24,323,460,773	28,973,947,372
College's proportion of the net pension liability	0.05011378%	0.05499969%	0.05649551%	0.05649551%
College's proportionate share of the net pension liability	$ 16,774,593	$ 15,200,306	$ 13,741,663	$ 16,368,979
College's covered-employee payroll	$ 5,272,936	$ 5,738,293	$ 5,772,454	$ 6,442,862
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	318.13%	264.89%	238.06%	254.06%
Plan fiduciary net position as a percentage of the total pension liability	66.78%	72.09%	74.71%	69.30%

(1) Information prior to 2013 is not available

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

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 487,693	$ 525,121	$ 514,603	$ 496,102	$ 472,355	$ 496,292	$ 493,136	$ 433,955	$ 389,157	$ 330,234
Contributions in relation to the contractually required contribution	(487,693)	(525,121)	(514,603)	(496,102)	(472,355)	(496,292)	(493,136)	(433,955)	(389,157)	(330,234)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 3,483,521	$ 3,750,864	$ 3,904,423	$ 3,579,380	$ 3,412,970	$ 3,689,903	$ 3,923,119	$ 3,204,985	$ 3,954,848	$ 3,362,872
Contributions as a percentage of covered employee payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Zane State College

Required Supplementary Information

Schedule of College Contributions

State Teachers Retirement System of Ohio

Last Ten Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 712,639	$ 738,211	$ 803,361	$ 750,419	$ 837,572	$ 881,003	$ 802,265	$ 743,358	$ 663,124	$ 600,196
Contributions in relation to the contractually required contribution	(712,639)	(738,211)	(803,361)	(750,419)	(837,572)	(881,003)	(802,265)	(743,358)	(663,124)	(600,196)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College covered-employee payroll	$ 5,090,279	$ 5,272,936	$ 5,738,293	$ 5,772,454	$ 6,442,862	$ 6,776,946	$ 6,171,269	$ 5,718,138	$ 5,100,954	$ 4,616,892
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Zane State College
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2017

Federal Grantor/ *Pass Through Grantor/* Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
United States Department of Labor				
Passed Through Lorain Community College:				
Trade Adjustment Assistance Community College Career Training Program Grant (TAACCCT)	N/A	17.282	$ 217,382	$ 217,632
Passed Through Guernsey County Department of Jobs and Family Services:				
YouthBuild - Career Expo and Ready Grant	N/A	17.274	57,378	57,378
Total United States Department of Labor			274,760	275,010
Appalachian Regional Commission				
Direct from the Federal Agency:				
Appalachian Regional Development	N/A	23.001	36,072	36,072
Appalachian Area Development	N/A	23.002	3,315	3,315
Total Appalachian Regional Commission			39,387	39,387
Small Business Administration				
Direct from the Federal Agency:				
Small Business Development Center	N/A	59.037	33,498	33,498
United States Department of Education				
Direct from the Federal Agency:				
Student Financial Aid Cluster:				
Federal Direct Student Loans	N/A	84.268	2,286,317	2,286,317
Federal Work-Study Program	N/A	84.033	65,430	74,557
Federal Pell Grant Program	N/A	84.063	2,979,461	2,979,461
Total Student Financial Aid Cluster			5,331,208	5,340,335
TRIO - Student Support Services	N/A	84.042	212,044	212,044
Passed Through the Ohio Department of Education:				
Career and Technical Education - Basic Grants to States	3L90	84.048	70,254	70,254
Total United States Department of Education			5,613,506	5,622,633
United States Department of Health and Human Services				
Passed Through the Muskingum County Department of Jobs and Family Services:				
Temporary Assistance for Needy Families - Summer Youth	N/A	93.558	20,029	15,457
Total United States Department of Health and Human Services			20,029	15,457
Total Federal Financial Assistance			$ 5,981,180	$ 5,985,985

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

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) includes federal grant activity of the College under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared 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). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The College has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – FEDERAL DIRECT LOANS PROGRAM

The College participates in the William D. Ford Federal Direct Loan Program (CFDA 84.268), including Direct Subsidized Loans, Direct Unsubsidized Loans and Direct PLUS Loans. The College originates the loans which are then funded through the U.S. Department of Education.

Federal Subsidized Loans	$	1,446,215
Federal Unsubsidized Loans		662,103
PLUS Loans		177,999
Total Federal Direct Student Loans	$	2,286,317

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

December 1, 2017

Zane State College
Muskingum County
1555 Newark Road
Zanesville, OH 43701

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the discretely presented component unit of **Zane State College**, Muskingum County, (the College) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 1, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a significant deficiency. We consider finding 2017-001 to be a significant deficiency.

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Compliance and Other Matters

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

The College’s Response to Findings

The College’s response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not audit the College’s response and, accordingly, we express no opinion on it.

Purpose of this Report

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

Perry & Associates CPA's A.C.

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

December 1, 2017

Zane State College
Muskingum County
1555 Newark Road
Zanesville, OH 43701

To the Board of Trustees:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

The College's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

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Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Perry & Associates CPA's A.C.

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Student Financial Aid Cluster: Federal Direct Student Loans CFDA #84.268, Federal Work-Study Program CFDA #84.033, Federal Pell Grant Program CFDA #84.063
(d)(1)(viii)	**Dollar Threshold: Type A/B Programs**	Type A: > $ 750,000 Type B: > All Others
(d)(1)(ix)	**Low Risk Auditee 2 CFR § 200.520?**	Yes

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

FINDING 2017-001

Significant Deficiency

Financial Reporting

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason. It is important that control procedures are developed related to capital assets that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

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

FINDING 2017-001 (Continued)

Financial Reporting (Continued)

The College had an adjustment to its beginning (net position) balance in the amount of $716,938. An audit adjustment was also made in the fiscal year for $(34,065). The restatement and current period adjustment are due to the following:

- A shared project with Ohio University – Zanesville started in fiscal year 2016 was not added to the College's accounting system as Construction in Process in the amount of $716,938. The fiscal year 2017 portion of the project in the amount of $168,133 was not included in the College's accounting system as Construction in Process, and the total $885,071 in Construction in Process was not then added to Buildings. The related revenues and expenditures for the project in the amount of $168,133 were also not included in the College's accounting system;
- Several items in the amount of $202,198 were capitalized on the College's asset listing that did not meet the requirements for capitalization.

We recommend the College verify that policies and procedures are in place to properly record all financial activity on the annual financial statements. A review system should also be in place to identify and correct any significant errors that occur during the financial compilation process. Failure to do so could result in material misstatements going unnoticed and users of financial statements using incorrect amounts to make decisions about the College's operations.

Official's Response: See the Corrective Action Plan.

3. FINDINGS FOR FEDERAL AWARDS

None

ZANE STATE COLLEGE
CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The shared project with Ohio University Zanesville (OUZ) was a unique situation in which state funds were transferred to OUZ at the state level with College approval. After that all state funds and reporting were directed solely to OUZ. We are updating our procedures to include shared projects, in which the College will receive a copy of all invoices and state fund requests in order to record the entries. The College is creating additional reports to determine the adjusting entries from system balances to the unaudited financial statements; in the past we have relied heavily on an external audit firm to assist with this step which led to inadequate review time for the College. This will allow the College to quickly confirm the financial statement totals and allow additional time to research any variances.	June 30, 2018	Tammy Huffman, Comptroller

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Dave Yost · Auditor of State

ZANE STATE COLLEGE

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 4, 2018

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