

**TERRA STATE COMMUNITY COLLEGE  
SANDUSKY COUNTY**



**TERRA  
STATE  
COMMUNITY  
COLLEGE**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2023**

**PLATTENBURG**  
Certified Public Accountants



OHIO AUDITOR OF STATE  
KEITH FABER



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Columbus, Ohio 43215  
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Board of Trustees  
Terra State Community College  
2830 Napoleon Road  
Fremont, Ohio 43420

We have reviewed the *Independent Auditor's Report* of the Terra State Community College, Sandusky County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

April 22, 2024

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**TERRA STATE COMMUNITY COLLEGE  
SANDUSKY COUNTY  
FOR THE YEAR ENDED JUNE 30, 2023**

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Terra State Community College (the College), a component unit of the State of Ohio, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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



### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
April 10, 2024

TERRA STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023  
(UNAUDITED)

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of Terra State Community College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2023. Responsibility for the completeness and fairness of this information rests with the College and should be read in conjunction with the accompanying financial statements and notes.

**Using the Annual Report**

The following activities are included in the financial statements:

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

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

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

**Financial Highlights**

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

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

TERRA STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023  
(UNAUDITED)

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Condensed Financial Information  
Statement of Net Position  
(in thousands)

	2023	2022 Restated
<b>Assets</b>		
Current assets	\$10,766	\$7,150
Capital assets, net	31,455	28,594
Other noncurrent assets	1,155	949
<b>Total assets</b>	<u>\$43,376</u>	<u>\$36,693</u>
Deferred outflows of resources	3,112	3,180
<b>Total assets &amp; defer outflows</b>	<u>\$46,488</u>	<u>\$39,873</u>
<b>Liabilities</b>		
Current liabilities	3,350	4,738
Noncurrent liabilities	24,510	14,806
<b>Total liabilities</b>	<u>27,860</u>	<u>19,544</u>
Deferred inflows of resources	4,455	9,051
<b>Total liabilities &amp; defer inflows</b>	<u>32,315</u>	<u>28,595</u>
<b>Net position</b>		
Net investment in capital assets	22,570	23,220
Restricted		
Expendable	165	177
Unrestricted	<u>(8,562)</u>	<u>(12,118)</u>
<b>Total net position</b>	<u>14,173</u>	<u>11,279</u>

**Assets:** As of June 30, 2023, the College's total assets and deferred outflows of resources amounted to approximately \$46 million. Capital assets, net of depreciation, represented the College's largest asset, totaling \$31 million or 68 percent of total assets and deferred outflows of resources. Receivables, totaling \$6.4 million or 14 percent of total assets and deferred outflows of resources, were the College's next largest asset. Cash and investments decreased by approximately \$275 thousand in 2023.

**Liabilities:** At June 30, 2023 the College's liabilities and deferred inflows of resources totaled approximately \$32 million. Net pension & OPEB liabilities represented approximately \$13 million, or 40 percent, of total liabilities and deferred inflows of resources. Total liabilities and deferred inflows of resources increased \$3.7 million thousand during the year ended June 30, 2023. This was primarily attributed to an increase in Net Pension Liabilities of \$4.3 million and an increase in long-term debt, noncurrent of \$6.4 million.

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TERRA STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023  
(UNAUDITED)

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**Net Position:** Net position at June 30, 2023 totaled approximately \$14.2 million or 31 percent of total assets and deferred outflows of resources. Net investment in capital assets totaled \$22.5 million or 158 percent, of total net position. Restricted and unrestricted net position represented 1 percent and (60) percent of total net position, respectively. Total net position increased by \$2.9 million during the year ended June 30, 2023.

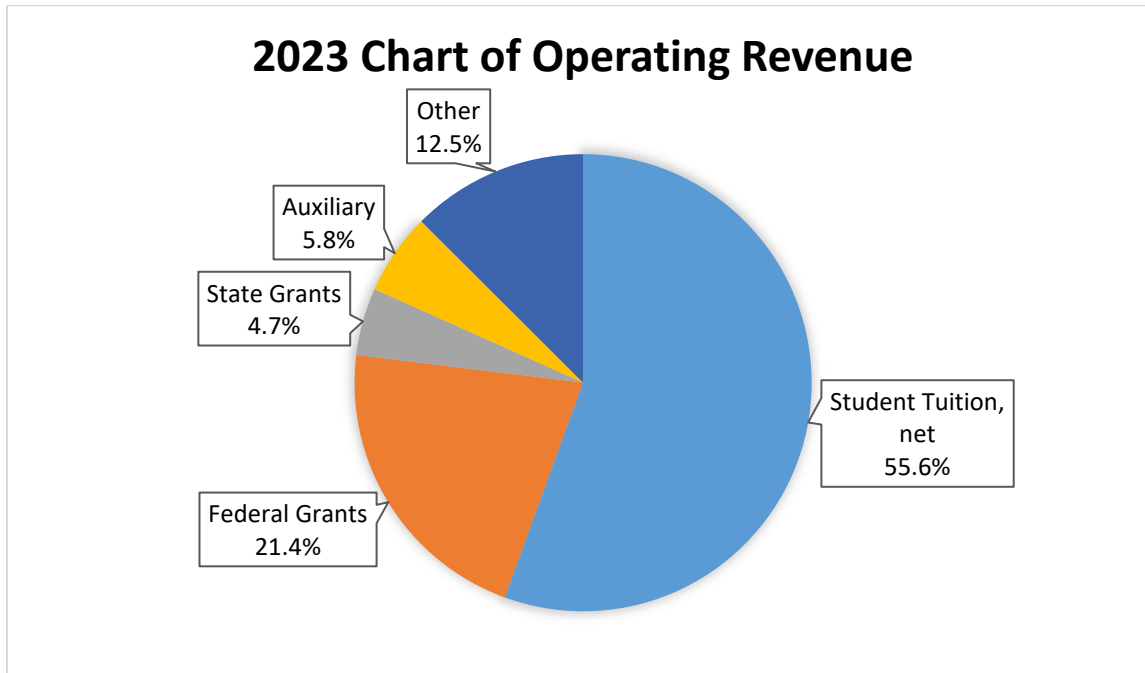
Statement of Revenues, Expenses and Changes in Net Position  
(in thousands)

	<u>2023</u>	<u>2022</u>
Operating revenue		
Tuition and fees	\$ 3,776	\$ 3,419
Government grants	1,777	3,662
Auxiliary services	391	515
Other operating revenue	851	406
Total operating revenue	<u>6,795</u>	<u>8,002</u>
Operating expenses		
Educational and general	15,054	15,507
Auxiliary expenses	620	531
Depreciation and amortization	1,651	1,467
Total Operating expenses	<u>17,325</u>	<u>17,505</u>
Operating loss	(10,530)	(9,503)
Non-operating revenue (expenses)		
State appropriations	6,011	5,944
Federal grants	3,344	4,576
Gifts and grants	226	158
Investment income	157	(5)
Other non-operating	2,391	(229)
Total non-operating revenue	<u>12,129</u>	<u>10,444</u>
Capital appropriations	<u>1,296</u>	<u>439</u>
Change in net position during year	<u>\$ 2,895</u>	<u>\$ 1,380</u>

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TERRA STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023  
(UNAUDITED)

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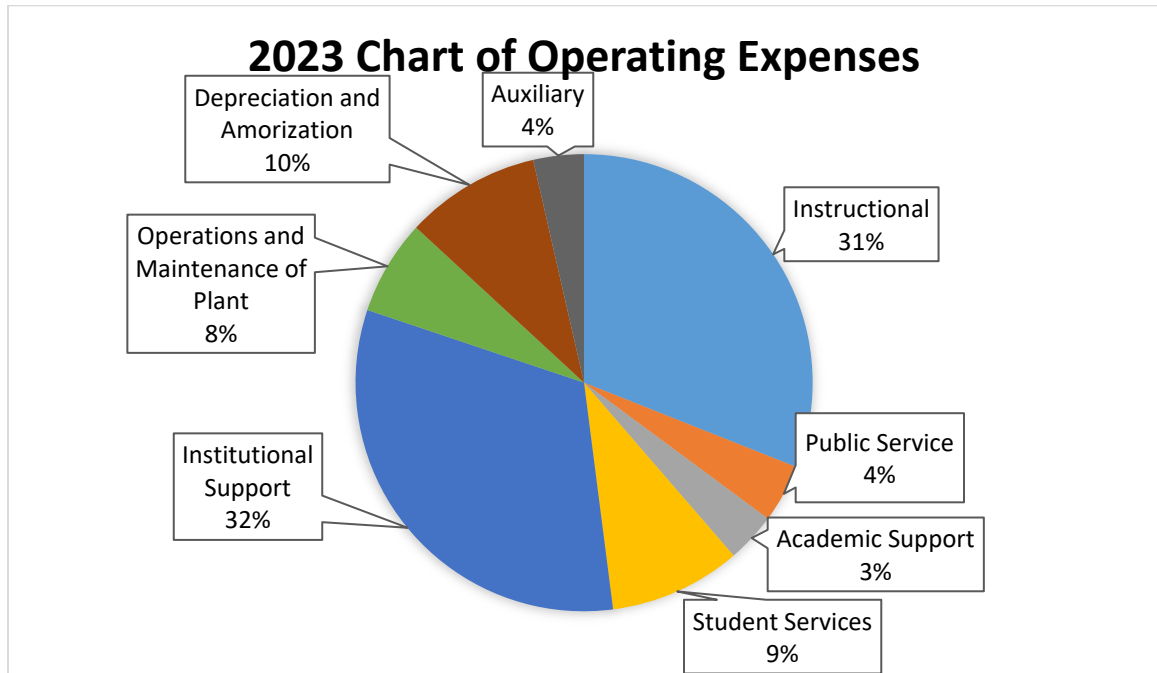
Total operating revenues were \$6.8 million for the year ended June 30, 2023 and \$8 million for 2022. The most significant sources of operating revenue for the College are net student tuition and fees (55.6 percent for 2023 and 42.7 percent for 2022) , and federal grants and contracts (21.4 percent for 2023 and 42.4 percent for 2022).

Gross Tuition and fees continued to be the largest source of operating revenues for the College. Gross tuition revenue increased 10% for 2023 and increased 6.8% for 2022 primarily due to decreases in tuition discounts. Auxiliary enterprises revenue from the College bookstore decreased 24% from 2022 due to the commission guarantee no longer being active in 2023. In 2023 state grant revenue increased slightly from the previous year and was approximately 4.8% of operating revenues.

State appropriations, which is considered non-operating revenue as defined by GASB 35, is a significant recurring source of revenue essential to the operation of the College. The College's state appropriation for the year ended June 30, 2023, amounted to \$6.01 million. This represents an increase of \$67 thousand or 1.1% from the College's appropriation for the prior year.

TERRA STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023  
(UNAUDITED)

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Operating expenses, including \$1.65 million of depreciation and amortization, totaled approximately \$17.3 million as compared to \$17.5 million in 2022 and \$15.8 million in 2021. The majority of the College's operating funds prior to GASB 68 and 75 adjustments are expended directly for the primary mission of the College - instruction (31 percent), institutional support (32 percent) and student services (9 percent). This combined 72 percent compares with 76 percent in 2022 and 75 percent in 2021.

Total operating expenses decreased 1.1% from 2022 with institutional support expenses decreasing \$1.3 million due to the net of fewer positions being redistributed to HERRF funding and to a change in assumptions for the GASB 68 and GASB 75. Other operating expenses increased due to a change in assumptions for the GASB 68 and GASB 75.

For the year ended June 30, 2023, student financial aid related to tuition and fees totaled \$3.7 million, including scholarship allowance of \$2.4 million.

TERRA STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023  
(UNAUDITED)

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Statement of Cash Flows  
(in thousands)

	2023	2022
Net cash provided (used) by:		
Operating activities	\$ (9,825)	\$ (9,242)
Noncapital financing activities	9,447	10,783
Capital and related financing activities	3,475	(774)
Investing activities	<u>(3,372)</u>	<u>(18)</u>
Net increase/(decrease) in cash	(275)	749

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

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

Major sources of funds included in operating activities are student tuition and fees (\$4.16 million) and Grants and contracts (\$1.8 million). The largest cash payments for operating activities were to employees, for wages and benefits, (\$11.5 million) and to suppliers (\$5.5 million).

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

### Capital Assets

Capital assets (including the Subscription Based Information Technology Arrangement (SBITA), net of accumulated depreciation, totaled approximately \$31.4 million at June 30, 2023, a net increase of \$3.4 million over the prior year-end. Additions to capital assets during the year totaled \$4.5 million as a result of upgrades to equipment. For more information on capital assets, see Note 4.

TERRA STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023  
(UNAUDITED)

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**Long-Term Debt**

Long-term debt totaled approximately \$11.7 million at June 30, 2023, an increase of \$6.4 million over the prior year-end. For more information on long-term debt, see Note 7.

**Factors impacting future periods**

Terra State Community College is committed to advancing forward-looking strategies that prioritize innovative education, expanding student access and success, and building organizational capacity. These initiatives are designed to increase our regional impact and enhance the overall educational experience. Our strategic focus includes incorporating cutting-edge technology into our curriculum, strengthening partnerships with local industries, and enhancing student support services to foster academic excellence and career readiness.

Looking ahead, TSCC has a robust Capital Improvements Plan in place. This plan encompasses significant upgrades to campus facilities, investments in state-of-the-art educational technology, and developing new spaces that foster collaborative learning. These improvements are not just physical enhancements but are integral to our mission of providing a dynamic and engaging learning environment. The plan is aligned with our long-term goals of expanding our campus capabilities and ensuring our infrastructure meets the evolving needs of our students and faculty.

The landscape of higher education presents both challenges and opportunities. We anticipate navigating the complexities of changing demographics, evolving industry needs, and technological advancements. However, these challenges also present opportunities for innovation, partnership, and growth. By staying adaptable and responsive to these changes, TSCC is well-positioned to emerge as a leader in delivering high-quality, relevant education.

In our quest for continuous improvement, TSCC has implemented various efficiency measures. These include optimizing resource allocation, streamlining administrative processes, and embracing technology to enhance operational effectiveness. By doing so, we aim to create a more agile and responsive institution that can quickly adapt to changing educational demands while maintaining fiscal discipline.

We reaffirm TSCC's unwavering commitment to financial stability, educational excellence, and strategic growth. The efforts of our college community in achieving this fiscal year's goals have been commendable. As we look forward to the upcoming years, we are guided by our Strategic Plan 2023-2026, which sets a clear path for continued success and innovation. TSCC remains dedicated to enriching our students' lives and positively impacting the communities we serve.



**TERRA STATE COMMUNITY COLLEGE  
SANDUSKY COUNTY, OHIO  
STATEMENTS OF NET POSITION  
As of June 30, 2023**

	2023	
	Terra State Community College	Component Unit Terra College Foundation
	<u>College</u>	<u>Foundation</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 474,599	\$ 427,843
Short-term investments	3,740,375	0
Intergovernmental receivable	2,868,974	0
Due from State of Ohio	20,867	0
Loans receivable, net	76,666	0
Other receivables	3,392,229	566,240
Inventory	7,968	0
Other current assets	183,853	0
Prepaid	0	28,425
Total current assets	<u>10,765,531</u>	<u>1,022,508</u>
Noncurrent assets		
Investments	351,709	5,793,901
Net OPEB Asset	804,437	0
Other noncurrent assets	0	92,996
Capital assets, gross	67,100,353	0
Accumulated depreciation	<u>(35,645,194)</u>	<u>0</u>
Capital assets, net	31,455,159	0
Total noncurrent assets	<u>32,611,305</u>	<u>5,886,897</u>
Total assets	<u>43,376,836</u>	<u>6,909,405</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Other postemployment benefits	344,385	0
Pension	<u>2,768,042</u>	<u>0</u>
Total deferred outflows of resources	3,112,427	0
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	2,295,343	78,284
Unearned revenue	382,671	0
Long-term debt, current	654,437	0
Compensated absences, current	17,815	0
Total current liabilities	<u>3,350,266</u>	<u>78,284</u>
Noncurrent liabilities		
Long-term debt, noncurrent	11,083,942	0
Compensated absences, noncurrent	348,063	0
Net other postemployment benefits liability	1,262,750	0
Net pension liability	<u>11,815,700</u>	<u>0</u>
Total noncurrent liabilities	24,510,455	0
Total liabilities	<u>27,860,721</u>	<u>78,284</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Other postemployment benefits	2,642,376	0
Pension	<u>1,812,105</u>	<u>0</u>
Total deferred inflows of resources	4,454,481	0
<b>NET POSITION</b>		
Net investment in capital assets	22,570,483	0
Restricted for		
Nonexpendable		
Scholarship and fellowships	0	3,017,179
Expendable		
Scholarships and Grants	0	2,133,872
Loans	0	127,245
Other	101,144	1,489,837
Capital projects	64,029	200,518
Unrestricted	<u>(8,561,595)</u>	<u>(137,530)</u>
Total net position	<u>\$ 14,174,061</u>	<u>\$ 6,831,121</u>

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

**TERRA STATE COMMUNITY COLLEGE  
SANDUSKY COUNTY, OHIO  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Fiscal Year Ended June 30, 2023**

	2023	
	Terra State Community College	Component Unit Terra College Foundation
<b>REVENUES</b>		
Operating revenues		
Tuition and fees (net of scholarship allowances of \$2,397,584 in 2023)	\$ 3,775,940	\$ 0
Federal grants and contracts	1,451,905	0
State grants and contracts	324,791	0
Contributions and fund raising	0	940,435
Auxiliary enterprises	391,328	0
Other operating revenues	851,156	0
Total operating revenues	<u>6,795,120</u>	<u>940,435</u>
<b>OPERATING EXPENSES</b>		
Educational and general		
Instructional	5,368,129	69,043
Public service	711,083	0
Academic support	609,474	0
Student services	1,611,897	0
Institutional support	5,568,435	270,023
Operation and maintenance of plant	1,162,981	0
Student financial aid	0	174,316
Other operating expenses	21,066	63,278
Depreciation and amortization expense	1,651,803	0
Auxiliary enterprises	620,003	0
Total operating expenses	<u>17,324,871</u>	<u>576,660</u>
Operating income (loss)	(10,529,751)	363,775
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	6,010,867	0
Federal grants	3,343,787	0
Gifts and grants	225,730	0
Investment income/(loss)	157,136	422,527
Interest on debt	(365,462)	0
Other non-operating revenues	2,756,607	0
Net nonoperating revenues (expenses)	<u>12,128,665</u>	<u>422,527</u>
Income before other revenues, expenses, gains and losses	1,598,914	786,302
Capital appropriations	<u>1,296,193</u>	<u>0</u>
Increase (decrease) in net position	2,895,107	786,302
<b>NET POSITION</b>		
Beginning of year	<u>11,278,954</u>	<u>6,044,819</u>
Ending net position	<u>\$ 14,174,061</u>	<u>\$ 6,831,121</u>

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

**TERRA STATE COMMUNITY COLLEGE**  
**SANDUSKY COUNTY, OHIO**  
**STATEMENTS OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2023**

	2023	
	Terra State Community College	Component Unit Terra College Foundation
	College	Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 4,155,267	\$ 0
Grants and contracts	1,776,696	0
Other income	851,156	0
Auxiliary enterprise receipts	391,328	0
Payments to suppliers	(5,509,863)	(500,479)
Payroll and fringe benefits	(11,489,790)	0
Scholarships and fellowships	0	(174,316)
Contributions	0	540,116
Purchase of equipment for Terra State Community College	0	(69,043)
Net cash provided (used) by operating activities	<u>(9,825,206)</u>	<u>(203,722)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for long-term purposes	0	40,720
State appropriations	6,010,867	0
Grants and contracts other than capital	3,436,079	0
Net cash provided by noncapital financing activities	<u>9,446,946</u>	<u>40,720</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchases of capital assets	(3,850,692)	0
State appropriations capital	1,296,193	0
Proceeds received from capital debt	6,707,100	0
Principal paid on capital debt and subscription obligations	(300,659)	0
Interest paid on capital debt and subscription obligations	(376,614)	0
Net cash provided (used) by capital financing activities	<u>3,475,328</u>	<u>0</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale (Purchase) of investments	(3,529,052)	11,131
Other	157,136	(48,826)
Net cash provided (used) by investing activities	<u>(3,371,916)</u>	<u>(37,695)</u>
<b>NET CHANGE IN CASH</b>		
	(274,848)	(200,697)
<b>Cash and cash equivalents - beginning of year</b>		
	<u>749,447</u>	<u>628,540</u>
<b>Cash and cash equivalents - end of year</b>		
	<u>\$ 474,599</u>	<u>\$ 427,843</u>
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS)</b>		
<b>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (10,529,751)	\$ 363,775
<b>Adjustments to reconcile net operating income (loss)</b>		
<b>to net cash used by operating activities:</b>		
Depreciation expense	1,651,803	0
Other adjustments	0	1,200
<b>Change in assets and liabilities:</b>		
Receivables	2,352,364	(306,750)
Inventories	(1)	0
Other assets	(8,178)	0
Net OPEB asset	(156,641)	0
Deferred outflows of resources	67,973	0
Accounts payable and accrued liabilities	(406,783)	(192,802)
Deferred inflows of resources	(4,454,481)	0
Net OPEB liability	(636,075)	0
Net Pension liability	4,267,601	0
Unearned revenue	(1,973,037)	0
Prepaid expense	0	(28,425)
Contributions restricted for long-term purposes	0	(40,720)
Net cash provided (used) by operating activities	<u>\$ (9,825,206)</u>	<u>\$ (203,722)</u>

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

**Note 1 – Summary of Significant Accounting Policies**

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

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

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

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

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

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

*Restricted net position – nonexpendable*. Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2023, the College had no nonexpendable restricted assets.

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

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

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

Investments: The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The College measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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

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

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

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

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

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

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

Deferred Outflows and Deferred Inflow of Resources: Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses) until then. The College recorded a deferred outflow of resources for pensions and other postemployment benefits (OPEB), which are explained in Note 8 and Note 9.

The College also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the College these amounts consist of pension and OPEB, which are explained in Note 8 and Note 9.

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

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

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

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

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students

and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

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

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

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

## **Note 2 – Deposits and Investments**

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

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

Deposits: Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of bank failure, the College will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2023, the carrying amounts of the College's deposits in all funds were \$473,649 (which consists of cash and cash equivalents, excluding cash on hand of \$950) and the bank balance were \$1,013,609 respectively. The difference between carrying amount and bank balance was

primarily due to outstanding checks at June 30, 2023. Of the bank balances at June 30, 2023, \$250,000 was covered by federal depository insurance.

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

Eligible securities pledged to the College and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 50 percent of the deposits being secured or a rate set by the Treasurer of State.

The College's fair value and distribution of investments as of June 30, 2023 are as follows:

Investment Type	Fair Value/NAV	< 1 Year	1-5 Years	Fair Value Hierarchy
U.S. Treasury/Agency Securities	\$1,822,840	\$1,822,840	\$0	Level 1
Negotiable Certificates of Deposit	1,258,715	907,006	351,709	Level 2
Money Market	954,863	954,863	0	N/A
Municipal Bonds	44,479	44,479	0	Level 1
StarOhio	11,187	11,187	0	Level 2
Total	<u>\$4,092,084</u>	<u>\$3,740,375</u>	<u>\$351,709</u>	

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. Inputs to the valuation techniques used in fair the measurement for Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are significant unobservable inputs. The above table identifies the College's recurring fair value measurements as of year end. STAR Ohio is reported at its share price (Net Asset value per share).

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

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



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As of June 30, 2023 the College has the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings				
		AAA	AAAm	Aaa	Aa1	N/A
U.S. Treasury/Agency Securities	\$1,822,840	\$0	\$0	\$1,822,840	\$0	\$0
Negotiable Certificates of Deposit	1,258,715	0	0	0	0	1,258,715
Money Market	954,863	954,863	0	0	0	0
Municipal Bonds	44,479	39,514	0	0	4,965	0
StarOhio	11,187	0	11,187	0	0	0
Total	<u>\$4,092,084</u>	<u>\$994,377</u>	<u>\$11,187</u>	<u>\$1,822,840</u>	<u>\$4,965</u>	<u>\$1,258,715</u>

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy places no limit on the amount the College may invest in a single issuer. At June 30, 2023, the College's investments were in U.S. Treasury/Agency Securities (44.55%), Negotiable Certificates of Deposits (30.76%), Money Market accounts (23.33%), Municipal Bonds (1.09%) and Star Ohio (0.27%).

### Note 3 – Accounts Receivable

Receivables at June 30, 2023 consisted of accounts (tuition and other fees), notes, interest and intergovernmental grants. All receivables, except for doubtful accounts receivables in collection with the Ohio Attorney General, are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

### Note 4 – Capital Assets

Capital assets at June 30, 2023 are summarized as follows:

	2023			
	Beginning Balance, Restated	Additions	Reductions	Ending Balance
Capital assets not depreciated:				
Land	\$534,747	\$0	\$0	\$534,747
Construction in progress	11,875	3,146,386	(11,875)	3,146,386
Total capital assets not depreciated	<u>546,622</u>	<u>3,146,386</u>	<u>(11,875)</u>	<u>3,681,133</u>
Capital assets being depreciated:				
Buildings	41,141,188	328,525	0	41,469,713
Improvements	8,580,097	253,930	0	8,834,027
Equipment, furniture and books	11,817,419	796,123	0	12,613,542
Total capital assets depreciated	<u>61,538,704</u>	<u>1,378,578</u>	<u>0</u>	<u>62,917,282</u>
Total capital assets	62,085,326	4,524,964	(11,875)	66,598,415
Accumulated depreciation:				
Buildings	(19,146,304)	(725,758)	0	(19,872,062)
Improvements	(4,208,972)	(355,515)	0	(4,564,487)
Equipment, furniture and books	(10,638,115)	(416,088)	0	(11,054,203)
Total accumulated depreciation	<u>(33,993,391)</u>	<u>(1,497,361)</u>	<u>0</u>	<u>(35,490,752)</u>
Capital assets, net	<u>\$28,091,935</u>	<u>\$3,027,603</u>	<u>(\$11,875)</u>	<u>\$31,107,663</u>
Subscription Assets	501,938	0	0	501,938
Less Accumulated Amortization	0	(154,442)	0	(154,442)
Total Subscription Assets, Net	<u>\$501,938</u>	<u>(\$154,442)</u>	<u>\$0</u>	<u>\$347,496</u>
Total Capital, and Subscription Assets, Net	<u>\$28,593,873</u>	<u>\$2,873,161</u>	<u>(\$11,875)</u>	<u>\$31,455,159</u>

**Note 5 – State Support**

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

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

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

In 2023 the College received \$1,296,193 in capital project appropriations.

**Note 6 – Accrued Liabilities**

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

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

**Note 7 – Long-Term Liabilities**

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Long-term debt activities for the years ended June 30, 2023 are summarized as follows:

Other Long-Term Debt

	2023				
	Beginning Balance, Restated	Additions	Deletions	Ending Balance	Current Portion
Bond Issues					
Series 2013	\$4,830,000	\$0	(\$155,000)	\$4,675,000	\$155,000
Series 2022	0	6,707,100	0	6,707,100	346,400
SBITA	501,938	0	(145,659)	356,279	153,037
Total Long-Term Debt	5,331,938	6,707,100	(300,659)	11,738,379	654,437

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*Series 2013 Bond Issue* - In March 2013, the College issued Series 2013 bonds totaling \$6,000,000 with an interest rate of 2.00% - 3.75% and with repayment over a period of 30 years. The proceeds are being used to finance the costs including construction of a new main entrance to the campus, renovation of an existing building for a conference center, renovation of an existing building for a hospitality management program and preliminary costs in connection with construction and renovation of a gymnasium. The acquisition, construction, renovation and equipping of the facilities will cost an estimated \$8,000,000 in total, which will be funded by proceeds of the Series 2013 Bonds and approximately \$2,000,000 of other available funds to the College. In connection with the general receipts bonds described above, the College has pledged general receipts, net of State Appropriation receipts, to pay this debt. The bonds are payable through their final maturities listed below, solely from these revenues pledged.

*Series 2022 Bond Issue* - The College issued Series 2022 bonds totaling \$6,707,100 with an interest rate of 3.548% with repayment over a period of 15 years. The proceeds are being used to finance various project throughout the College. The first principal payment was made on 12/01/2023 with a maturity date of 12/01/2037.

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

Year End	Bonds			SBITA		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$501,400	\$398,331	\$899,731	\$153,037	\$7,282	\$160,319
2025	518,600	381,316	899,916	161,832	3,296	165,128
2026	536,400	363,718	900,118	41,410	175	41,585
2027	554,600	345,514	900,114	0	0	0
2028	573,200	326,694	899,894	0	0	0
2029-2033	3,193,200	1,322,528	4,515,728	0	0	0
2034-2038	3,794,700	718,971	4,513,671	0	0	0
2039-2043	1,400,000	193,118	1,593,118	0	0	0
2044	310,000	5,813	315,813	0	0	0
Total	<u>\$11,382,100</u>	<u>\$4,056,002</u>	<u>\$15,438,102</u>	<u>\$356,279</u>	<u>\$10,753</u>	<u>\$367,032</u>

Other Long-Term Obligations

Other long-term obligations at June 30, 2023 are summarized as follows:

	2023				
	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated Absences	\$368,349	\$39,320	(\$41,791)	\$365,878	\$17,815
Net Pension Liability	7,548,099	4,267,601	0	11,815,700	0
Net OPEB Liability	1,898,825	0	(636,075)	1,262,750	0
Total Long-Term Debt	<u>\$9,815,273</u>	<u>\$4,306,921</u>	<u>(\$677,866)</u>	<u>\$13,444,328</u>	<u>\$17,815</u>

**Note 8 - Defined Benefit Pension Plans**

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The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

**Net Pension Liability/Net OPEB Liability (Asset)**

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

**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, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by

Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to 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 years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0.0%. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5% COLA for calendar year 2023.

**Funding Policy**

Plan members are required to contribute 10.0% of their annual covered salary and the College is required to contribute 14.0% 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 10.0% for plan members and 14.0% 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, 2023, the allocation to pension, death benefits, and Medicare B was 14.0%. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The College's contractually required contribution to SERS was \$482,882 for fiscal year 2023.

### **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 system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0.0% upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3.0% of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Eligibility changes will be phased in August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 34 years of service credit and any age. Further adjusting to five years of service and age 65, or 35 years of service credit and any age as of August 1, 2028.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.53% of the 14.0% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47% of the 14.0% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12.0% of the 14.0% member rate is deposited into the member's DC account and the remaining 2.0% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Funding Policy**

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2023 employer and employee contribution rate of 14.0% was equal to the statutory maximum rates. For 2023, the full employer contribution was allocated to pension.

The College’s contractually required contribution to STRS was \$603,063 for fiscal year 2023.

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

The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College’s proportion of the net pension liability was based on the College’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,909,391	\$6,906,309	\$11,815,700
Proportion of the Net Pension Liability:			
Current Measurement Date	0.09076710%	0.03106734%	
Prior Measurement Date	<u>0.09810320%</u>	<u>0.03072428%</u>	
Change in Proportionate Share	-0.00733610%	0.00034306%	
Pension Expense	(\$76,386)	\$586,380	\$509,994

At June 30 2023, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	SERS	STRS	Total
<b><u>Deferred Outflows of Resources</u></b>			
Differences between expected and actual experience	\$198,834	\$88,410	\$287,244
Changes of assumptions	48,442	826,478	874,920
Net difference between projected and actual earnings on pension plan investments	0	240,324	240,324
Changes in employer proportionate share of net pension liability	0	279,609	279,609
Contributions subsequent to the measurement date	482,882	603,063	1,085,945
<b>Total Deferred Outflows of Resources</b>	<b>\$730,158</b>	<b>\$2,037,884</b>	<b>\$2,768,042</b>
<b><u>Deferred Inflows of Resources</u></b>			
Differences between expected and actual experience	\$32,229	\$26,419	\$58,648
Changes of assumptions	0	622,100	622,100
Net difference between projected and actual earnings on pension plan investments	171,315	0	171,315
Changes in employer proportionate share of net pension liability	348,861	611,181	960,042
<b>Total Deferred Inflows of Resources</b>	<b>\$552,405</b>	<b>\$1,259,700</b>	<b>\$1,812,105</b>

\$1,085,945 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	SERS	STRS	Total
2024	(\$194,202)	(\$35,948)	(\$230,150)
2025	(150,897)	(113,901)	(264,798)
2026	(244,728)	(375,443)	(620,171)
2027	284,698	700,413	985,111
<b>Total</b>	<b>(\$305,129)</b>	<b>\$175,121</b>	<b>(\$130,008)</b>

**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, 2022 and compared with June 30, 2021, are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.40%	2.40%
Future Salary Increases, including inflation	3.25% to 13.58%	3.25% to 13.58%
COLA or Ad Hoc COLA	2.00%, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	2.00%, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00% net of system expenses	7.00% net of system expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five year period ended June 30, 2020.

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

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	-0.45%
US Equity	24.75%	5.37%
Non-US Equity Developed	13.50%	6.22%
Non-US Equity Emerging	6.75%	8.22%
Fixed Income/Global Bonds	19.00%	1.20%
Private Equity	11.00%	10.05%
Real Estate/Real Assets	16.00%	4.87%
Multi-Asset Strategy	4.00%	3.39%
Private Debt/Private Credit	3.00%	5.38%
Total	100.00%	

**Discount Rate**

The total pension liability for 2022 was calculated using the discount rate of 7.00%. 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 earnings were calculated using the long-term assumed investment rate of return (7.00%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00%, 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 (6.00%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$7,226,389	\$4,909,391	\$2,957,351

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the June 30, 2022, actuarial valuation compared to those used in the June 30, 2021, actuarial valuation are presented below:

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	June 30, 2022	June 30, 2021
Inflation	2.50%	2.50%
Projected Salary Increases	From 2.50% to 8.50% based on age	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.00% net of investments expense, including inflation	7.00% net of investments expense, including inflation
Discount Rate of Return	7.00%	7.00%
Payroll Increases	3.00%	3.00%
Cost-of-Living Adjustments (COLA)	0.00%	0.00%

For 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110.0% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95.0% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50.0% of rates through age 69, 70.0% of rates between ages 70 and 79, 90.0% of rates between ages 80 and 84, and 100.0% of rates, thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90.0% of rates for males and 100.0% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

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Asset Class	Target Allocation *	Long-Term Expected Rate of Return **
Domestic Equity	26.00%	6.60%
International Equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed Income	22.00%	1.75%
Real Estate	10.00%	5.75%
Liquidity Reserves	1.00%	1.00%
Total	100.00%	

\* Final target weights reflected October 1, 2022.

\*\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

#### Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with 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. 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, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

#### Sensitivity of the 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 7.00%, 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 (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$10,432,918	\$6,906,309	\$3,923,889

#### Changes Between the Measurement Date and the Reporting Date

In May 2023, the Board approved the following:

1. Retirees who started receiving benefits on June 1, 2019, or earlier will receive a 1.0% cost-of-living adjustment (COLA) in fiscal year 2024. The increase will be added to the base benefit on the retirement date anniversary.

2. For teachers now in the classroom, the current retirement eligibility rule requiring 34 years of service for an unreduced retirement has been extended five years through July 2028. The requirement was scheduled to increase to 35 years of service on August 1, 2023.

Any effect on the net pension liability is not known at this time.

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#### **Note 9 - Defined Benefit OPEB Plans**

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See Note 8 for a description of the net OPEB liability (asset).

#### **Plan Description - School Employees Retirement System (SERS)**

##### **Health Care Plan Description**

The College contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

##### **Funding Policy**

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14.0% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than

1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the College's surcharge obligation was \$42,962.

The surcharge, added to the allocated portion of the 14.00% employer contribution rate is the total amount assigned to the Health Care Fund. The College's contractually required contribution to SERS was \$42,962 for fiscal year 2023.

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

**Plan Description**

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

**Funding Policy**

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14.0% of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

**Net OPEB Liabilities (Assets), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability (asset) was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$1,262,750	\$0	\$1,262,750
Proportionate Share of the Net OPEB (Asset)	0	(804,437)	(804,437)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.08993880%	0.03106734%	
Prior Measurement Date	<u>0.10032980%</u>	<u>0.03072428%</u>	
Change in Proportionate Share	-0.01039100%	0.00034306%	
OPEB Expense	(\$248,815)	(\$185,914)	(\$434,729)

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At June 30 2023, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$10,615	\$11,662	\$22,277
Changes of assumptions	200,857	34,266	235,123
Net difference between projected and actual earnings on OPEB plan investments	6,563	14,003	20,566
Changes in employer proportionate share of net OPEB liability	18,475	4,982	23,457
Contributions subsequent to the measurement date	42,962	0	42,962
Total Deferred Outflows of Resources	<u>\$279,472</u>	<u>\$64,913</u>	<u>\$344,385</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$807,748	\$120,812	\$928,560
Changes of assumptions	518,368	570,423	1,088,791
Changes in employer proportionate share of net OPEB liability	556,296	68,729	625,025
Total Deferred Inflows of Resources	<u>\$1,882,412</u>	<u>\$759,964</u>	<u>\$2,642,376</u>

\$42,962 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2024	(\$381,166)	(\$225,454)	(\$606,620)
2025	(386,780)	(205,798)	(592,578)
2026	(321,608)	(85,254)	(406,862)
2027	(196,593)	(35,809)	(232,402)
2028	(136,025)	(47,443)	(183,468)
Thereafter	(223,730)	(95,293)	(319,023)
Total	<u>(\$1,645,902)</u>	<u>(\$695,051)</u>	<u>(\$2,340,953)</u>

**Actuarial Assumptions - SERS**

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022, compared with June 30, 2021, are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.40%	2.40%
Future Salary Increases, Including Inflation		
Wage Increases	3.25% to 13.58%	3.25% to 13.58%
Investment Rate of Return	7.00% net of investment expense, including inflation	7.00% net of investment expense, including inflation
Fiduciary Net Position is Projected to be Depleted	2044	2042
Municipal Bond Index Rate:		
Measurement Date	3.69%	1.92%
Prior Measurement Date	1.92%	2.45%
Single Equivalent Interest Rate (SEIR), net of plan investment expense, including price inflation:		
Measurement Date	4.08%	2.27%
Prior Measurement Date	2.27%	2.63%
Health Care Cost Trend Rate:		
Medicare	5.125% to 4.40%	5.125% to 4.40%
Pre-Medicare	6.75% to 4.40%	6.75% to 4.40%
Medical Trend Assumption	7.00% to 4.40%	7.00% to 4.40%

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.



The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021.

Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	-0.45%
US Equity	24.75%	5.37%
Non-US Equity Developed	13.50%	6.22%
Non-US Equity Emerging	6.75%	8.22%
Fixed Income/Global Bonds	19.00%	1.20%
Private Equity	11.00%	10.05%
Real Estate/Real Assets	16.00%	4.87%
Multi-Asset Strategy	4.00%	3.39%
Private Debt/Private Credit	3.00%	5.38%
Total	100.00%	

### Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08%. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.27%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination

of the SEIR for both the June 30, 2022, and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69% at June 30, 2022 and 1.92% at June 30, 2021.

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

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Proportionate share of the net OPEB liability	\$1,568,355	\$1,262,750	\$1,016,044
	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
Proportionate share of the net OPEB liability	\$973,807	\$1,262,750	\$1,640,157

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the June 30, 2022, actuarial valuation and the June 30, 2021 actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Projected salary increases	Varies by service from 2.50% to 8.50%	Varies by service from 2.50% to 12.50%
Investment Rate of Return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.00%
Discount Rate of Return	7.00%	7.00%
Health Care Cost Trends:		
Medical		
Pre-Medicare	7.50% initial, 3.94% ultimate	5.00% initial, 4.00% ultimate
Medicare	-68.78% initial, 3.94% ultimate	-16.18% initial, 4.00% ultimate
Prescription Drug		
Pre-Medicare	9.00% initial, 3.94% ultimate	6.50% initial, 4.00% ultimate
Medicare	-5.47% initial, 3.94% ultimate	29.98% initial, 4.00% ultimate

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

For 2022, healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110.0% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95.0% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50.0% of rates through age 69, 70.0% of rates between ages 70 and 79, 90.0% of rates between ages 80 and 84, and 100.0% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90.0% of rates for males and 100.0% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

Asset Class	Target Allocation *	Long-Term Expected Rate of Return **
Domestic Equity	26.00%	6.60%
International Equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed Income	22.00%	1.75%
Real Estate	10.00%	5.75%
Liquidity Reserves	1.00%	1.00%
Total	100.00%	

\* Target allocation percentage is effective as of July 1, 2022. Target weights will be phased in over a 3-month period concluding on October 1, 2022.

\*\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care plan investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

**Sensitivity of the Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate**

The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net OPEB (asset)	(\$743,681)	(\$804,437)	(\$856,480)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$834,397)	(\$804,437)	(\$766,620)

**Changes Between the Measurement Date and the Reporting Date**

In May 2023, the Board approved the following:

1. Retirees who started receiving benefits on June 1, 2019, or earlier will receive a 1.0% cost-of-living adjustment (COLA) in fiscal year 2024. The increase will be added to the base benefit on the retirement date anniversary.
2. For teachers now in the classroom, the current retirement eligibility rule requiring 34 years of service for an unreduced retirement has been extended five years through July 2028. The requirement was scheduled to increase to 35 years of service on August 1, 2023.

Any effect on the net OPEB asset is not known at this time.

**Note 10 - Operating Expenses by Natural Classification**

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The College’s operating expenses by natural classification were as follows for the years ended June 30, 2023:

	<u>2023</u>
Salaries and wages	\$7,754,838
Employee benefits	2,823,329
Utilities	691,044
Supplies and other services	4,403,857
Depreciation and amortization	1,651,803
Total	<u><u>\$17,324,871</u></u>

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**Note 11 - Risk Management**

The College is exposed to various risks of loss related to torts, theft of, damage to, and destructions of assets, errors and omissions, injuries to employees and natural disaster. The College maintains comprehensive coverage with private carriers for liability, real property, building contents, cyber, and vehicles. Vehicle policies include liability coverage for bodily and property damage. Scheduled vehicles hold a \$500 comprehensive and \$500 collision deductible. Automobile liability coverage has a \$1,000,000 limit for bodily injury.

The college also maintains educators' legal liability coverage with private carriers. Settled claims have not exceeded any aforementioned commercial coverage in any of the past four years.

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

The College is a member of Stark County School Council of Governments, a shared risk pool which has been established to provide a partially self-funded health benefits program to its members. The College pays a monthly premium to Council of Governments for its health care coverage.

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**Note 12 – Contingencies**

Grants

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

Litigation

At June 30, 2023, there were lawsuits or claims pending against Terra Community College. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of the College.

**Note 13 – Subscription Based Information Technology Arrangement (SBITA)**

The College has entered into a contract that conveys the control of the right to use their nonfinancial assets (the underlying assets) for subscription software as specified in the contract for a period of time. The basis and terms of the contract is 3 years after the commencement date. During the period, there were no outflows of resources recognized for variable payments not previously included in the measurement of the SBITA liability. Also, there were no outflows of resources recognized for other payments, such as residual value guarantees or termination penalties, not previously included in the measurement of the SBITA liability during the period. There were no commitments under SBITA before the commencement of the lease term.

Principal and interest amounts for the next three years and thereafter are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$153,037	\$7,282	\$160,319
2025	161,832	3,296	165,128
2026	41,410	175	41,585
	<u>\$356,279</u>	<u>\$10,753</u>	<u>\$367,032</u>

**Note 14 – Component Unit Disclosures**

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

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

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

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

Investment Type	2023 Fair Value
Money Market Funds	\$391,929
Debt securities	1,661,458
Equity securities	<u>3,740,513</u>
Total	<u>\$5,793,900</u>

During the years ended June 30, 2023, the Foundation made contributions of \$306,637 to or on behalf of the College for both restricted and unrestricted purposes.

Complete financial statements for the Foundation can be obtained from the Terra College Foundation, 2830 Napoleon Road, Fremont, Ohio 43420.

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#### **Note 15 – Related Party**

Terra Village Holdings (TVH) a nonprofit corporation was formed to operate a dormitory on the College's campus. The College has some employees who serve on the TVH board. The College is the fiscal agent for TVH which includes collecting rents and making payments. Amounts held at year end are reported as a liability. TVH was evaluated and it was determined that it was not a component unit under GASB.

The College entered into a Ground Lease with TVH in 2015. The period of the lease is for forty years at a rental of \$1 per year.

In 2017 the College entered into a guaranty of payment for student resident facility lease that TVH has with a 3rd party that constructed the dormitory. See Note 16.

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#### **Note 16 – Uncertainty Related to Financial Guarantee**

On June 28, 2017, the College entered into a guaranty of a facility (student residence) lease between Terra Village Holdings (Lessee) and UHS-Terra, LLC (Lessor). The guaranty was limited to the cumulative maximum of \$1,500,000 should Terra Village Holdings fail to pay amounts required under the lease.

In 2018, the College received a commitment from University Housing Solutions (UHS) that would provide a gift of \$1,500,000 to cover the College's guaranty should Terra Village Holdings fail to make payments required by the lease.

In 2019, the College, Terra Village Holdings, and UHS-Terra LLC entered into a forbearance agreement. In this agreement the College contends the guaranty is unenforceable while UHS-Terra LLC contends the guaranty is enforceable while both wish to delay any dispute regarding the guaranty.

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#### **Note 17 – Implementation of New Accounting Principles**

For fiscal year 2023, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 91, Conduit Debt Obligations; GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements; GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs); and portions of GASB Statement No. 99, Omnibus 2022.

GASB Statement No. 91 clarifies the definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the College.

GASB Statement No. 94 primary objective is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 94 also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the College.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

*Effect on Previously Reported Net Position* - The implementation of the GASB 96 pronouncement had no net effect on the net position as reported at June 30, 2022:

Net Position, June 30, 2022	\$11,278,954
Adjustments-Presentation Changes:	
SBITA Assets	501,938
SBITA Liability	<u>(501,938)</u>
Restated Net Position, June 30, 2022	<u><u>\$11,278,954</u></u>

GASB Statement No. 99 addresses a variety of topics and includes clarification of provisions related to accounting and reporting of leases under GASB Statement No. 87, provides extension of the period which the London Interbank Offered Rate is considered appropriate benchmark interest rate, guidance on disclosure of nonmonetary transaction, accounting for pledges of future revenues when resources are not received by the pledging government under GASB Statement No. 48, and terminology updates related to certain provisions of GASB Statement No. 63 and No. 53. These topics under GASB Statement No. 99 provisions were implemented and did not have an effect on the financial statements of the College.



Other topics in GASB Statement No. 99 includes classification of other derivative instruments within the scope of GASB Statement No. 53, clarification of provisions related to accounting and reporting of Public-Private and Public-Public Partnerships under GASB Statement No. 94, and clarification of provisions to accounting and reporting of subscription-based information technology arrangements under GASB Statement No. 96. These topics are effective for future fiscal years and have not been implemented by of the College.

**Note 18 – Employment Retention Credit**

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The Employee Retention Credit (ERC) is a refundable tax credit for eligible organizations that had employees and were affected during the COVID-19 pandemic. During fiscal 2023, the College filed amended Form 941-X to claim the credit for payments made in 2020 and 2021. In 2023, the College recorded a receivable and other non-operating revenues in the amount of \$2,756,607 for the credit due from the IRS. Based on consultations with consultants, the College believes the IRS will approve the credit / refund on amended 941-X.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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

	2023	2022	2021
Proportion of the Net Pension Liability	0.09076710%	0.09810320%	0.10349970%
Proportionate Share of the Net Pension Liability	\$4,909,391	\$3,619,724	\$6,845,688
College's Covered-Employee Payroll	\$3,392,264	\$3,236,571	\$3,565,126
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	144.72%	111.84%	192.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.82%	82.86%	68.55%

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

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016	2015	2014
0.10793870%	0.12356060%	0.12019670%	0.14636350%	0.13938230%	0.15135900%	0.15135900%
\$6,458,162	\$7,076,544	\$7,181,487	\$10,712,458	\$7,953,289	\$7,660,193	\$9,000,834
\$3,695,185	\$4,142,622	\$4,017,871	\$4,545,507	\$4,196,143	\$4,398,207	\$4,545,921
174.77%	170.82%	178.74%	235.67%	189.54%	174.17%	198.00%
70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.50%

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contributions	\$482,882	\$474,917	\$453,120
Contributions in Relation to the Contractually Required Contribution	<u>(482,882)</u>	<u>(474,917)</u>	<u>(453,120)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered Employee Payroll	\$3,449,157	\$3,392,264	\$3,236,571
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016	2015	2014
\$481,292	\$498,850	\$559,254	\$562,502	\$636,371	\$553,052	\$609,592
(481,292)	(498,850)	(559,254)	(562,502)	(636,371)	(553,052)	(609,592)
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$3,565,126	\$3,695,185	\$4,142,622	\$4,017,871	\$4,545,507	\$4,196,143	\$4,398,207
13.50%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%

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

	2023	2022	2021
Proportion of the Net Pension Liability	0.03106734%	0.03072428%	0.03539236%
Proportionate Share of the Net Pension Liability	\$6,906,309	\$3,928,375	\$8,563,692
College's Covered-Employee Payroll	\$4,228,779	\$3,996,300	\$4,447,771
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	163.32%	98.30%	192.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.88%	87.78%	75.48%

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

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016	2015	2014
0.03306378%	0.03208712%	0.03626735%	0.03847270%	0.04327486%	0.04923745%	0.04923745%
\$7,311,856	\$7,055,237	\$8,615,387	\$12,877,972	\$11,959,906	\$11,976,252	\$14,266,033
\$4,088,093	\$3,608,079	\$3,987,150	\$4,035,264	\$4,515,007	\$5,030,707	\$5,124,764
178.86%	195.54%	216.08%	319.14%	264.89%	238.06%	278.37%
77.40%	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%



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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contributions	\$603,063	\$592,029	\$559,482
Contributions in Relation to the Contractually Required Contribution	<u>(603,063)</u>	<u>(592,029)</u>	<u>(559,482)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered Employee Payroll	\$4,307,593	\$4,228,779	\$3,996,300
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016	2015	2014
\$622,688	\$572,333	\$505,131	\$558,201	\$564,937	\$632,101	\$653,992
(622,688)	(572,333)	(505,131)	(558,201)	(564,937)	(632,101)	(653,992)
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$4,447,771	\$4,088,093	\$3,608,079	\$3,987,150	\$4,035,264	\$4,515,007	\$5,030,707
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%

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

	2023	2022	2021
Proportion of the Net OPEB Liability	0.08993880%	0.10032980%	0.10226780%
Proportionate Share of the Net OPEB Liability	\$1,262,750	\$1,898,824	\$2,222,614
College's Covered-Employee Payroll	\$3,392,264	\$3,236,571	\$3,565,126
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Employee Payroll	37.22%	58.67%	62.34%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.34%	24.08%	18.17%

\* Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

2020	2019	2018	2017
0.10644960%	0.12338940%	0.12053790%	0.14496562%
\$2,676,984	\$3,423,155	\$3,234,921	\$4,132,056
\$3,695,185	\$4,142,622	\$4,017,871	\$4,545,507
72.45%	82.63%	80.51%	90.90%
15.57%	13.57%	12.46%	11.49%

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contributions (1)	\$42,962	\$44,049	\$60,633
Contributions in Relation to the Contractually Required Contribution	<u>(42,962)</u>	<u>(44,049)</u>	<u>(60,633)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered Employee Payroll	\$3,449,157	\$3,392,264	\$3,236,571
Contributions as a Percentage of Covered-Employee Payroll	1.25%	1.30%	1.87%

\* Information prior to 2016 is not available.

(1) Includes Surcharge

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016
\$41,418	\$63,924	\$78,656	\$60,750	\$58,944
(41,418)	(63,924)	(78,656)	(60,750)	(58,944)
\$0	\$0	\$0	\$0	\$0
\$3,565,126	\$3,695,185	\$4,142,622	\$4,017,871	\$4,545,507
1.16%	1.73%	1.90%	1.51%	1.30%

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

	2023	2022	2021
Proportion of the Net OPEB Liability or Asset	0.03106734%	0.03072428%	0.03539236%
Proportionate Share of the Net OPEB Liability (Asset)	(\$804,437)	(\$647,796)	(\$622,020)
College's Covered-Employee Payroll	\$4,228,779	\$3,996,300	\$4,447,771
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	(19.02%)	(16.21%)	(13.98%)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	230.73%	174.73%	182.13%

\* Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

2020	2019	2018	2017
0.03306378%	0.03208712%	0.03626735%	0.03847270%
(\$547,615)	(\$515,607)	\$1,415,017	\$1,939,587
\$4,088,093	\$3,608,079	\$3,987,150	\$4,035,264
(13.40%)	(14.29%)	35.49%	48.07%
174.74%	176.00%	47.10%	37.30%



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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contributions	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered Employee Payroll	\$4,307,593	\$4,228,779	\$3,996,300
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%

\* Information prior to 2016 is not available.

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016
\$0	\$0	\$0	\$0	\$0
0	0	0	0	0
\$0	\$0	\$0	\$0	\$0
\$4,447,771	\$4,088,093	\$3,608,079	\$3,987,150	\$4,035,264
0.00%	0.00%	0.00%	0.00%	0.00%

**Terra State Community College**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2023**

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**Note 1 - Net Pension Liability**

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**School Employees Retirement System (SERS)**

**Changes in Benefit Terms:**

2023: There were no changes in benefit terms since the prior measurement period.

2022: Cost of Living Adjustments (COLA) increased from 0.50% to 2.50%.

2020-2021: There were no changes in benefit terms from the amounts reported for this fiscal year.

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3.00% annual increase to a Cost of Living Adjustments (COLA) based on the changed in the Consumer Price Index Index (CPI-W), with a cap of 2.50% and a floor of 0.00%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

**Changes in Assumptions:**

2023: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) Cost of Living Adjustments (COLA) was increased from 2.00% to 2.50% for calendar year 2023.

2022: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.00% to 2.40%,
- (2) Payroll growth assumption was reduced from 3.50% to 1.75%,
- (3) Assumed real wage growth was increased from 0.50% to 0.85%,
- (4) Cost of Living Adjustments (COLA) was reduced from 2.50% to 2.00%,
- (5) The discount rate was reduced from 7.50% to 7.00%,
- (6) Rates of withdrawal, compensation, participation, spouse coverage assumption, retirement, and disability were updated to reflect recent experience, and,
- (7) Mortality among active members, service retirees and beneficiaries, and disabled members were updated.

2018-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,

**Terra State Community College**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2023**

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- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

**State Teachers Retirement System (STRS)**

**Changes in Benefit Terms:**

2019-2023: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

**Changes in Assumptions:**

2023: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table:
  - a. Adjusted 110.0% for males, projected forward generationally using mortality improvement scale MP-2020
- (2) Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table:
  - a. Adjusted 95.0% for females, projected forward generationally using mortality improvement scale MP-2020
- (3) Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table:
  - a. Projected forward generationally using mortality improvement scale MP-2020
- (4) Projected salary increases changed from 2.50% to 12.50% to 2.50% to 8.50%

2022: There were changes in assumptions since the prior measurement date, which the discount rate was adjusted to 7.00% from 7.45%.

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**Terra State Community College**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2023**

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2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

**Note 2 - Net OPEB (Asset)/Liability**

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**School Employees Retirement System (SERS)**

**Changes in Benefit Terms:**

2017-2023: There were no changes in benefit terms from the amounts reported for these fiscal years.

**Changes in Assumptions:**

2023: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
  - Prior Measurement Date 2.27%
  - Measurement Date 4.08%
- (2) Municipal Bond Index Rate:
  - Prior Measurement Date 1.92%
  - Measurement Date 3.69%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
  - Prior Measurement Date 2.27%
  - Measurement Date 4.08%
- (4) Health care trend rates were updated.

2022: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
  - Prior Measurement Date 2.63%
  - Measurement Date 2.27%
- (2) Investment Rate of Return:
  - Prior Measurement Date 7.50%
  - Measurement Date 7.00%
- (3) Assumed Rate of Inflation:
  - Prior Measurement Date 3.00%
  - Measurement Date 2.40%
- (4) Payroll Growth Assumption:
  - Prior Measurement Date 3.50%
  - Measurement Date 1.75%
- (5) Assumed Real Wage Growth:
  - Prior Measurement Date 0.50%
  - Measurement Date 0.85%
- (6) Municipal Bond Index Rate:
  - Prior Measurement Date 2.45%
  - Measurement Date 1.92%
- (7) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
  - Prior Measurement Date 2.63%
  - Measurement Date 2.27%

**Terra State Community College**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2023**

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- (8) Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- (9) Rate of health care participation for future retirees and spouses was updated to reflect recent.
- (10) Mortality among active members was updated to the following:
  - a. PUB-2010 General Amount Weighted Below Median Employee mortality table.
- (11) Mortality among service retired members was updated to the following:
  - a. PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females.
- (12) Mortality among beneficiaries was updated to the following:
  - a. PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females.
- (13) Mortality among disabled member was updated to the following:
  - a. PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.
- (14) Mortality rates are projected using a fully generational projection with Scale MP-2020.

2021: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
 

Prior Measurement Date	3.22%
Measurement Date	2.63%
- (2) Municipal Bond Index Rate:
 

Prior Measurement Date	3.13%
Measurement Date	2.45%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 

Prior Measurement Date	3.22%
Measurement Date	2.63%

2020: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
 

Prior Measurement Date	3.70%
Measurement Date	3.22%
- (2) Municipal Bond Index Rate:
 

Prior Measurement Date	3.62%
Measurement Date	3.13%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 

Prior Measurement Date	3.70%
Measurement Date	3.22%

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
 

Prior Measurement Date	3.63%
Measurement Date	3.70%

**Terra State Community College**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2023**

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- (2) Municipal Bond Index Rate:
- |                        |       |
|------------------------|-------|
| Prior Measurement Date | 3.56% |
| Measurement Date       | 3.62% |
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
- |                        |       |
|------------------------|-------|
| Prior Measurement Date | 3.63% |
| Measurement Date       | 3.70% |

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

- (1) Discount Rate:
- |                  |       |
|------------------|-------|
| Fiscal Year 2018 | 3.63% |
| Fiscal Year 2017 | 2.98% |
- (2) Municipal Bond Index Rate:
- |                  |       |
|------------------|-------|
| Fiscal Year 2018 | 3.56% |
| Fiscal Year 2017 | 2.92% |
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
- |                  |       |
|------------------|-------|
| Fiscal Year 2018 | 3.63% |
| Fiscal Year 2017 | 2.98% |

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**State Teachers Retirement System (STRS)**

**Changes in Benefit Terms:**

2023: Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based. Healthcare trends were updated to reflect emerging claims and recoveries experience.

2022: The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

**Terra State Community College**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2023**

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2021: There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

2020: There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.10% to 1.90% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

**Changes in Assumptions:**

2023: The discount rate remained unchanged at 7.00% for the June 30, 2022 valuation.

2022: There were changes in assumptions since the prior measurement date, which the discount rate was adjusted to 7.00% from 7.45%.

2021: There were changes in assumptions during the measurement year, which decreased the total OPEB liability by approximately \$0.26 billion. The assumption changes included changes in healthcare costs and trends.

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.



**Terra State Community College**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2023**

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

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

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**Terra State Community College  
Sandusky County  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Assistance Listing Number	Federal Expenditures
<b>United States Department of Education</b>			
<i>Direct from the Federal Agency</i>			
<i>Student Financial Assistance Cluster:</i>			
Federal Pell Grant Program	N/A	84.063	\$ 1,987,570
Federal Supplemental Educational Opportunity Grants	N/A	84.007	60,520
Federal Work Study Program	N/A	84.033	34,665
Federal Direct Student Loans	N/A	84.268	2,003,966
<i>Total Student Financial Assistance Cluster</i>			<u>4,086,721</u>
COVID-19 Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	N/A	84.425E	750,929
COVID-19 Higher Education Emergency Relief Fund (HEERF) Institutional Portion	N/A	84.425F	374,765
COVID-19 Strengthening Institutions Program	N/A	84.425M	226,998
COVID-19 Governor's Emergency Education Relief Fund	N/A	84.425C	49,008
<i>Total Education Stabilization Fund</i>			<u>1,401,700</u>
<i>Passed through the Ohio Department of Education</i>			
Career and Technical Education - Basic Grants to States	VEC PII-P2018-509	84.048	78,159
Equity for Each: Advanced Approaches for Improving Equity in Career Technical Education Programs	N/A	84.048	197,029
<i>Total Career and Technical Education - Basic Grants to State</i>			<u>275,188</u>
<b>Total United States Department of Education</b>			<u>5,763,609</u>
<b>United States Small Business Administration</b>			
<i>Passed through the Ohio Department of Development</i>			
Small Business Development Centers	56080	59.037	71,169
<b>Total United States Small Business Administration</b>			<u>71,169</u>
<b>United States Department of the Treasury</b>			
<i>Passed through the Sandusky County Commissioners</i>			
COVID-19 Coronavirus Relief Fund	N/A	21.019	4,244
<i>Passed through the Ohio College Initiative at Prevention Action Alliance</i>			
COVID-19 Coronavirus Relief Fund	N/A	21.019	3,138
<i>Total Coronavirus Relief Fund</i>			<u>7,382</u>
<b>Total United States Department of the Treasury</b>			<u>7,382</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 5,842,160</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

**Terra State Community College**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

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**Note 1 - Significant Accounting Policies**

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

**Note 2 – Federal Direct Student Loan Program**

The College is a direct lender for the Federal Direct Student Loan program. The following represents direct loans originated and disbursed during fiscal year 2023:

<u>ALN Number</u>	<u>Program Name</u>	<u>Amount</u>
84.268	Federal Subsidized Loans	\$ 874,875
84.268	Federal Unsubsidized Loans	1,006,822
84.268	Federal PLUS Loans	122,269
	Total Federal Direct Student Loans	<u>\$ 2,003,966</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Terra State Community College (the College), a component unit of the State of Ohio, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated April 10, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

## Purpose of this Report

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

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

April 10, 2024

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

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

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

***Opinion on Each Major Federal Program***

We have audited the Terra State Community College's (the College) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2023. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Plattensburg & Associates, Inc.*

Plattensburg & Associates, Inc.  
Cincinnati, Ohio  
April 10, 2024



**TERRA STATE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2023**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? Yes

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major federal programs:

- Education Stabilization Fund:
  - HEERF-Student Portion ALN 84.425E
  - HEERF-Institutional Portion ALN 84.425F
  - HEERF-Governors Emergency Education Relief Fund ALN 84.425C
  - HEERF-Strengthening Institutions Program ALN 84.425M

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? Yes

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

None

### Section III – Federal Award Findings and Questioned Costs

#### Finding 2023-001

Federal Program Information:	COVID 19 HEERF Institutional Portion ALN 84.425F COVID 19 HEERF-Strengthening Institutions Program ALN 84.425M
Criteria:	2 CFR 200.329 and the terms and conditions of the federal award requires the entity to submit reports quarterly.
Condition:	The total expenditures on the September 2022 and March 2023 quarterly report was not correct.
Questioned Costs:	None
Context:	The testing of the September 2022 and March 2023 quarterly reports showed that incorrect amounts were reported for expenditures.
Cause/Effect:	The College made errors when completing certain quarterly reports.
Repeat Finding from Prior Audit?:	Yes.
Recommendation:	We recommend review of current practices and implement policies establishing monitoring procedures related to quarterly reports.
Management Response:	The College agrees with the finding and is implementing appropriate procedures.

**TERRA STATE COMMUNITY COLLEGE**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**June 30, 2023**

**Finding 2022-001:**

Education Stabilization Fund (HEERF), ALN 84.425F

Condition: The total expenditures on each quarterly report was not correct.

Recommendation: We recommend review of current practices and implement policies establishing monitoring procedures related to quarterly reports.

Current Status: Not corrected. See similar finding as Finding 2023-001.

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

**CORRECTIVE ACTION PLAN  
2 CFR 200.511(c)  
Year Ended June 30, 2023**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2023-001	The College omitted lost revenue and reported incorrect expenses on quarterly grant reports (9/22 and 3/23 reports). The College will revise procedures to ensure amounts reported on quarterly reports are correct.	FY2024	Meg Johnson

# OHIO AUDITOR OF STATE KEITH FABER



**TERRA COMMUNITY COLLEGE**

**SANDUSKY COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/2/2024**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)