

# **Cincinnati State Technical and Community College**

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**Financial Report  
with Required Supplementary Information  
June 30, 2015**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Cincinnati State Technical and Community College, Hamilton County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 17, 2015

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# Cincinnati State Technical and Community College

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## Independent Auditor's Report

To the Board of Trustees  
Cincinnati State Technical and Community College

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

We have audited the accompanying financial statements of the Cincinnati State Technical and Community College and its discretely presented component unit (the "College") as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College as of June 30, 2015 and 2014, and the respective changes in its financial position, and, where applicable, cash flows, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees  
Cincinnati State Technical and Community College

### **Emphasis of Matter**

As discussed in Note I to the basic financial statements, effective July 1, 2014, the College adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The College is now recognizing its unfunded pension benefit obligation as a liability on the Statement of Net Position for the first time. This Statement also enhances accountability and transparency through revised note disclosures and required supplementary information. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### **Required Supplementary Information**

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

#### **Other 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 supplemental schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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

To the Board of Trustees  
Cincinnati State Technical and Community College

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2015 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Plante & Morse, PLLC*

November 11, 2015

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (unaudited)**

### **Introduction**

Our discussion and analysis of Cincinnati State Technical and Community College's (the "College") financial performance provides an overview of the College's financial activities for the year ended June 30, 2015, with selected comparative information for the years ended June 30, 2014 and 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto which follow this section.

The College is a public, two-year community college operating under the authority of the Ohio Board of Regents. Governed by a nine-member board of trustees appointed by the governor, the College offers over 70 associate degree programs and majors and numerous certificate programs. In addition to pre-baccalaureate and technical programs, the College provides many continuing education opportunities through flexibly scheduled courses, seminars, and on-site training for area businesses and industries and has one of the largest co-op education programs in the country. The College is fully accredited by the North Central Association of Colleges and Schools (NCA) and holds numerous programmatic accreditations.

The College is currently participating in the Academic Quality Improvement Program (AQIP), an NCA program based on the Malcolm Baldrige National Award principles for organizational quality management. Many faculty and staff participate in the Continuous Quality Improvement Network (CQIN), a national organization that benchmarks best practices in higher education. Partnerships with the American Quality and Productivity Center, the American Society for Quality, and the Association for Quality provide many training opportunities and other resources.

The College serves four Ohio counties in the metropolitan Cincinnati area and counties in Northern Kentucky and Eastern Indiana. Educational programs and services are delivered at the main Clifton campus, Middletown campus, and three extension sites - Harrison, Evendale, and Warren County - as well as several regional sites located in schools, non-profit agencies, and organizations. Distance learning courses enroll students from both outside and within the geographic region. At the College, access means geographic convenience, affordability, and resources to allow students to matriculate successfully.

### **Using the Financial Statements**

The College's financial report consists of three financial statements - the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles. The College has adopted GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by additional GASB statements. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements focus on the College as a whole, with resources classified for accounting and reporting purposes into three net position categories.

# Cincinnati State Technical and Community College

## Management's Discussion and Analysis (unaudited) (Continued)

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

During fiscal year 2015, the College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Please see adoption of new accounting pronouncements in Note I to the financial statements for further details.

### Statement of Net Position

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

	FY2015	FY2014	FY2013
<b>Statement of Net Position</b>			
<b>Assets and deferred outflows</b>			
Cash, cash equivalents and investments	\$20,025	\$24,299	\$27,389
Accounts receivable - Net	12,420	12,875	13,472
Other assets	2,132	2,498	2,246
Capital assets - Net	87,356	89,617	87,868
Total assets	<u>121,933</u>	<u>129,289</u>	<u>130,975</u>
Deferred outflows	1,609	1,827	2,070
Total assets and deferred outflows	<u><b>\$123,542</b></u>	<u><b>\$131,116</b></u>	<u><b>\$133,045</b></u>
<b>Liabilities and deferred inflows</b>			
Accounts payable and accrued expenses	\$8,553	\$9,754	\$9,363
Deferred revenue	4,570	4,561	5,347
Long-term liabilities	133,985	47,410	50,092
Total liabilities	147,108	61,725	64,802
Deferred inflows	9,542	-	-
Total liabilities and deferred inflows	<u>156,650</u>	<u>61,725</u>	<u>64,802</u>
<b>Net Position</b>			
Net investment in capital assets	46,119	45,976	41,591
Restricted	1,316	2,922	3,363
Unrestricted	(80,543)	20,493	23,289
Total net position	<u>(33,108)</u>	<u>69,391</u>	<u>68,243</u>
Total liabilities, deferred inflows and net position	<u><b>\$123,542</b></u>	<u><b>\$131,116</b></u>	<u><b>\$133,045</b></u>

# Cincinnati State Technical and Community College

## Management's Discussion and Analysis (unaudited) (Continued)

### Assets

Cash, cash equivalents, and investments make up 16.2 percent, 18.5 percent and 20.6 percent of total assets and deferred outflows at June 30, 2015, 2014, and 2013, respectively. Cash, cash equivalents, and investments include bank deposits, cash on hand, U.S. government agency securities and Treasury notes. Cash and cash equivalents were down \$4.27 million at June 30, 2015 from June 30, 2014 as a result of a \$1.75 million spenddown of cash balance in the Plant Fund for Debt Service (\$1.3 million) and Deferred Maintenance (\$450,000) and \$2.1 million reduction of net financial aid (federal student loans, Pell Grants and third-party sponsorships). Cash from operations was down \$425,000.

The College received 16,976 common shares in Anthem, Inc. in December 2001 (which later doubled to 33,952 shares in renamed WellPoint, Inc. after the stock split in May 2005). The value of the shares was \$3.7 million at June 30, 2014 and \$2.8 million at June 30, 2013. On November 13, 2014, the College sold the stock for \$4.27 million, which was reinvested in U.S. Treasury Notes and federal agency securities.

Accounts receivable make up 10.1 percent, 9.8 percent, and 10.1 percent of the total assets and deferred outflows at June 30, 2015, 2014, and 2013, respectively. The net decrease in accounts receivable in fiscal year 2015 was attributable primarily to the reduced activity of federal training grants. The decrease in accounts receivable in fiscal year 2014 was attributable primarily to the reduced activity of the federal training grants and pay-down of the Higher Education Partners (HEP) collaboration agreement and related leases. Accounts receivable include (*in thousands*):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Grants	\$1,296	\$1,906	\$2,295
State appropriations	12	12	12
Tuition and other	13,510	12,860	12,787
Collaboration agreement	380	635	609
Collaboration leases	1,138	1,596	1,708
Allowance for doubtful accounts	(3,916)	(4,134)	(3,939)
	<u>\$12,420</u>	<u>\$ 12,875</u>	<u>\$13,472</u>

Capital assets, net of depreciation, make up 70.7 percent, 68.3 percent, and 66.0 percent of the total assets and deferred outflows at June 30, 2015, 2014, and 2013, respectively. The increase in the capital assets percentage in fiscal year 2015 is due primarily to the decrease in cash and cash equivalents. The increase in the capital assets percentage in fiscal year 2014 is due primarily to the completion of deferred maintenance-related capital projects and acquisition by donation of two buildings and computer software. Other assets include prepaid expenses, bond escrow payments and cafeteria, restaurant, and other College inventories.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (unaudited) (Continued)**

### **Liabilities**

The \$94.925 million increase in total liabilities and deferred inflows was primarily due to a Net Pension Liability of approximately \$90 million related to the implementation of GASB Statement No. 68. Liabilities of \$8.6 million consist of accounts payable and accrued expenses primarily for wages, benefits, supplies, and utilities and \$4.6 million of unearned revenue for summer classes, which is recognized proportionally between fiscal years of when the semester occurs. As discussed in more detail in the debt section, on February 23, 2012, the College issued \$38,775,000 in General Receipts Refunding Bonds, Series 2012 with an average effective interest rate of 3.33 percent to advance refund \$36,815,000 of the outstanding Series 2002 bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2.37 million. This difference, reported as a deferred outflow on the statement of net position, is being charged to operations through the year 2029 using the effective-interest method. The College completed the advance refunding to reduce its total debt service payments over the next 17 years by \$6.07 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5.01 million. The 2012 General Receipts Bonds have an initial underlying rating of A1 based on Moody's Investors Service. During the year ended June 30, 2013, the College entered into capitalized leases in the amount of \$4.8 million. These leases are for equipment and improvement to the College. A portion of these leases was for equipment and improvements leased as part of the collaboration agreement.

### **Net Position**

Total net position decreased \$102.5 million. Of this decrease, \$100.7 million was the impact due to the implementation of GASB Statement No. 68. Invested in capital assets consists of capital assets net of accumulated depreciation and reduced by outstanding liabilities and debt attributable to the acquisition or construction of those assets. Restricted net position is subject to externally imposed stipulations that they either be maintained permanently (unexpendable) or that they can be fulfilled by actions of the College pursuant to those stipulations (expendable). All of the College's restricted net position is expendable and includes reserves for debt service and deferred maintenance. Unrestricted net position is not subject to externally imposed stipulations and may be designated for specific purposes by action of management or the board of trustees. Substantially all unrestricted net position is allocated for academic programs, general operations, deferred maintenance and initiatives.

### **Statement of Revenues, Expenses, and Changes in Net Position**

The statement of revenues, expenses, and changes in net position presents both the operating results and the nonoperating revenues and expenses of the College. State appropriations, while budgeted for operations, are considered nonoperating revenues.

# Cincinnati State Technical and Community College

## Management's Discussion and Analysis (unaudited) (Continued)

A summarized comparison for the years ended June 30 follows *(in thousands)*:

### Statement of Revenues, Expenses, and Changes in Net Position

	2015	2014	2013
<b>Revenues</b>			
Tuition and fees - Net	\$26,125	\$27,413	\$24,235
Grants and contracts	22,324	27,396	30,762
Sales and services	1,784	1,874	1,684
Auxiliary services	3,559	3,757	3,853
Other operating revenue and gifts	3,085	6,765	2,538
State instructional appropriations	29,445	29,595	30,169
State capital appropriations	707	1,803	1,879
Total revenues	<u>87,029</u>	<u>98,603</u>	<u>95,120</u>
<b>Expenses</b>			
Instruction	31,815	33,828	34,860
Public support	6,520	9,162	8,275
Academic support	6,927	6,739	5,726
Student services	8,152	8,657	8,449
Institutional support	17,814	21,090	19,700
Operations and maintenance of plant	6,684	7,176	7,541
Depreciation	4,269	4,067	3,633
Scholarships	850	800	632
Auxiliary services	4,012	4,348	4,311
Interest on capital asset related debt	1,797	1,588	1,679
Total expenses	<u>88,840</u>	<u>97,455</u>	<u>94,806</u>
(Decrease) Increase in net position	(1,811)	1,148	314
Net position - Beginning of year	69,391	68,243	67,929
Adjustment for change in accounting principle	(100,688)	-	-
Net position - End of year	<u><u>\$ (33,108)</u></u>	<u><u>\$69,391</u></u>	<u><u>\$68,243</u></u>

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (unaudited) (Continued)**

### **Revenues**

Revenues for fiscal year 2015 decreased by \$11.6 million or 11.7 percent over fiscal year 2014. The change derives primarily from the following three (3) functional categories of revenue:

1. Student tuition and fees are reported net of scholarship allowance. Net instructional revenues for fiscal year 2015 decreased by \$1.45 million, or 5.3 percent, from fiscal year 2014 due to student enrollment declines. Financial aid in the form of Pell grants and scholarships decreased by \$2.45 million or 15.5 percent in 2015, also attributable to declining student enrollment. The combined effect of reduced financial aid in the form of grants along with lower instructional revenues resulted in a net decrease in gross tuition and fees of \$4.0 million or 9.0 percent in fiscal year 2015.
2. Grants and contracts decreased by \$5.1 million, or 18.4 percent, compared to fiscal year 2014. Of this decrease, \$2.45 million was a result of a reduction in Pell funding due to declining student enrollment and more proactive financial aid counseling. The other \$2.45 million decrease was due to reduced activity from the final year of the U.S. Department of Labor Health Professions Pathway (H2P) Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant in the amount of \$3.18 million and increased activity in other federal/local grants in the amount of \$750,000.
3. Other operating revenue and gifts decreased by \$3.67 million, or 54.2 percent compared to fiscal year 2014, largely as a result of the one-time recognition in fiscal year 2014 in the amount of \$3.5 million for donation of two buildings in Middletown and specialized engineering software for the College.

Revenues for fiscal year 2014 increased by \$3.5 million or 3.7 percent over fiscal year 2013. The change derives primarily from the following three (3) functional categories of revenue:

1. Student tuition and fees are reported net of scholarship allowance. Gross instructional revenues for fiscal year 2014 increased by \$1.1 million or 2.4 percent from fiscal year 2013. A total of \$1.0 million of this is related to new supplemental student fee for E-Textbooks for certain academic foundation courses for fiscal year 2014. Financial aid in the form of grants and scholarships decreased by \$2.1 million or 11.6 percent in 2014. These changes are due primarily to a decrease in enrollment and change over to semesters. The effect of netting the scholarship allowances against the instructional revenues resulted in a net increase in tuition and fees of \$3.2 million or 13.1 percent.
2. Grants and contracts decreased by \$3.3 million, or 10.9 percent compared to fiscal year 2014. The majority of this decrease is a result of a reduction in Pell funding of \$2.1 million due to more proactive financial aid counseling, lack of satisfactory academic progress, and return to Title IV. The other major factor was the ending of the Health Careers Collaborative Grant in the amount of \$1.0 million.
3. Other operating revenue and gifts increased by \$4.2 million or 166.6 percent compared to fiscal year 2014. The majority of the increase was a result of the recognition of donations for \$3.5 million. The donations consisted of two Middletown buildings and land from Butler County and the City of Middletown and IT software from Siemens.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (unaudited) (Continued)**

### **Expenses**

Expenses for fiscal year 2015 decreased by \$8.6 million, or 8.8 percent over fiscal year 2014. The change derives primarily from the following four (4) functional categories of expense:

1. Instructional expenses decreased by \$2.0 million or 6.0 percent over fiscal year 2014. This was the result of decreased spending for tenure track and adjunct faculty instructors in the amount of \$1.36 million due to reduced course section offerings; decreased instructional support expenses in the amount of \$422,000 and the expiration of the Health Careers Collaborative TAACCCT grant in the amount of \$241,000.
2. Public support expenses decreased by \$2.64 million, or 28.8 percent over fiscal year 2014, due to decreased activity in the H2P TAACCCT Grant in the amount of \$3.4 million offset in part by increased activity in other federal and local grants.
3. Institutional support expenses decreased by \$3.3 million or 15.5 percent over fiscal year 2014 due to reductions in administrative/staff personnel and support expenses; sick and vacation leave accrual; accounts receivable write-off; computer lease and software expenses, and marketing and travel.
4. Operations and Maintenance of Plant expenses decreased \$492,000 over fiscal year 2014 due to lower maintenance and repair expense in the amount of \$144,000; reduced personnel expense in the amount of \$135,000 and a reduction in deferred maintenance in the Plant Fund in the amount of \$214,000.

Expenses for fiscal year 2014 increased by \$2.6 million or 2.8 percent over fiscal year 2013. The change derives primarily from the following five (5) functional categories of expense:

1. Instructional expenses decreased by \$1.0 million or 3.0 percent. This was the result of decreased spending for adjunct instructors and the expiration of the Health Careers Collaborative TAACCCT grant last year.
2. Public support expenses increased by \$887,000 or 10.7 percent, primarily as a result of a reduction in restricted grant funds due to expiration of the GCEA Energy Grant and reduced activity in the H2P Grant in fiscal year 2014.
3. Academic support expenses increased by \$1.0 million or 17.7 percent. Reasons for the increase include new E-Textbook program expenses for certain academic foundation (payments made to bookstore). These expenses were offset in whole by student supplemental fees.
4. Institutional support expenses increased by \$1.4 million or 7.1 percent. General Fund expenses increased \$367,000 in the areas of personnel expense and bad debt expense. There was an \$804,000 increase in deferred maintenance expenses in the Plant Fund and an \$82,000 increase in Middletown personnel expenses.
5. The depreciation of capitalized assets increased by \$434,000 or 11.9 percent due the increase of capitalized assets this year over last year from deferred maintenance and state capital projects.

# Cincinnati State Technical and Community College

## Management's Discussion and Analysis (unaudited) (Continued)

### Statement of Cash Flows

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

### Statement of Cash Flows

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net cash from operating activities	\$(41,275)	\$(45,347)	\$(44,565)
Net cash flows provided by non-capital financing activities	42,869	45,467	48,122
Net cash flows from capital and related financing activities	(7,504)	(4,393)	(5,127)
Net cash flows provided by investing activities	6,332	5,011	239
Net increase (decrease) in cash and cash equivalents	422	738	(1,331)
Cash and cash equivalents - Beginning of year	3,750	3,012	4,343
Cash and cash equivalents - End of year	<u><u>\$4,172</u></u>	<u><u>\$3,750</u></u>	<u><u>\$3,012</u></u>

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

### Capital Assets and Debt Administration

#### Capital Assets

Capital assets, net of accumulated depreciation, totaled \$87.4 million, \$89.6 million, and \$87.9 million at June 30, 2015, 2014, and 2013, respectively, a decrease of \$2.2 million and an increase of \$1.7 million, respectively. Changes in capital assets during fiscal years 2015 and 2014 included (*in millions*):

Capital Assets	Balance	Net	Balance	Net	Balance
	June 30, 2013	Addition/ Reductions	June 30, 2014	Addition/ Reductions	June 30, 2015
Land	\$2.2	\$0.1	\$2.3	\$0.0	\$2.3
Land improvements	2.3	0.0	2.3	0.0	2.3
Building and improvements	126.5	4.9	131.4	0.9	132.3
Equipment and library collections	6.9	0.7	7.6	0.2	7.8
Library	1.3	0.0	1.3	0.0	1.3
CIP	2.1	(2.1)	0.0	0.0	0.0
Decrease in accumulation depreciation	(53.4)	(1.9)	(55.3)	(3.3)	(58.6)
Total	<u><u>\$87.9</u></u>	<u><u>\$1.7</u></u>	<u><u>\$89.6</u></u>	<u><u>\$(2.2)</u></u>	<u><u>\$87.4</u></u>

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (unaudited) (Continued)**

### **Debt**

During the year ended June 30, 2015, the College entered into capitalized leases in the amount of \$268,000. During the year ended June 30, 2014, the College entered into capitalized leases in the amount of \$372,000. These leases are for equipment and improvements to the College. A portion of these leases was for equipment and improvements leased as part of the collaboration agreement.

### **Economic Impact on Future Operations**

To bolster the Ohio economy, the Governor has placed higher education at the top of Ohio's priorities, emphasizing affordability, graduation, completion, and quality. On June 30, 2015, Ohio Governor Kasich signed HB 64 into law - the State's Biennium Budget Bill - which increased higher education funding by \$161.2 million over the two-year cycle of fiscal years 2016 and 2017. Community colleges will receive \$438.7 million in fiscal year 2016, a 4.68 percent increase over fiscal year 2015, and another 4.0 percent increase for fiscal year 2017. Major changes were made to the community college funding formula, or State Share of Instruction (SSI), over the last biennium ended June 30, 2015. For fiscal year 2014, SSI was based 50 percent on enrollment, 25 percent on course completions, and 25 percent on success point metrics, with additional weighted funding for access categories of low income, adult and minority.

For fiscal year 2015, the enrollment component of SSI was eliminated and replaced with a combination of course completions (50 percent), success points (25 percent), and completion metrics - associate degrees, certificates and transfers - (25 percent). At-risk or access category weights were assigned to eligible students (low-income, adult, minority). There was no stop loss in place for fiscal year 2015. A statewide funding consultation group comprised of representatives of each of the 23 Ohio community colleges was established to develop the SSI funding components and weights for fiscal year 2015, which they completed and have added an additional risk category of academic preparedness for the 2016-2017 biennium budget.

Working in tandem with the Governor's initiatives, the Ohio Board of Regents has been asked to work with the University System of Ohio adult career centers, community colleges, and universities to implement curricular models for graduating students with the skills employers are seeking as quickly and cost-effectively as possible. This Complete College Ohio initiative intends to provide comprehensive and bold new proposals to accomplish the goal of graduating more students and encouraging them to remain in Ohio upon graduation.

While the outlook for state support of higher education in Ohio is positive, the College exists in an increasingly competitive environment and faces challenging economic and demographic trends. In response to the competition, a number of proactive initiatives have been addressed in Strategic Planning, academics, workforce development, quality improvement, enrollment and retention, fundraising, energy management, and other services to minimize the economic impact of competition on the College's future operations.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (unaudited) (Continued)**

### **Strategic Planning**

The College concluded its *Transition 2012* strategic plan and rolled out *Surging Forward* in September 2012, a three-year plan developed under the leadership and guidance of President Dr. O'dell M. Owens. His strategic vision challenges the College to develop new revenue streams, expand development efforts to lower out-of-pocket tuition costs, improve internal community, and provide academic support and incentives to foster student success.

The *Surging Forward* plan contains four strategic goals: (1) Increase Student Success relates to improving graduation and retention rates; (2) Expand Our Reach includes increasing enrollment at off-campus sites and recruitment of targeted demographic populations such as Hispanic/Latino, international, veteran, and high school dual enrolled students; (3) Strengthen Fiscal Sustainability involves increasing operating reserves and priority based budgeting as well as increasing nontraditional sources of revenue and scholarship funding; and (4) Build Community seeks to enhance the internal community by providing professional development and leadership opportunities. Targets have been established for all strategies and initiatives and a dashboard is used to monitor performance results related to the target goals.

### **Academics**

In academics, the efforts have been structured around the College's Strategic Plan, specifically goals to (1) Increase Student Success and (2) Expand Our Reach.

Initiatives to increase student success took on significant visibility and importance over the last few years. Ohio law required that each institution of higher education develop a completion plan and obtain board of trustee approval by June 30, 2014. The College met this requirement, plus was successful in engaging faculty, staff, and students in the initiative. Immediately after that, the College moved into implementation of the plan.

The purpose of the completion plan is to provide a framework for systemic improvement that incorporates data analysis and institutional assessment, new and improved policies, and well prioritized strategies. The five major components of the College's completion plan are (1) connection to the college, (2) first-year entry, (3) student progress, (4) student completion, and (5) workforce impact.

Implementation includes scaling up some of our successful pilot projects such as supplemental instruction and use of eBooks. The change also involves elimination of our two lowest level remedial courses in math and reading. Working with local partners such as Cincinnati Public Schools, Great Oaks Career Campuses, Butler Tech ABLE providers, the Citylink Center, and Education Matters (formerly Lower Price Hill School) has allowed the College for the first time to systematically structure its referral and support programs to better prepare students for College.

The other goal, *Expand Our Reach*, included initiatives to build new markets and to better serve special populations. The College expanded its high school dual enrollment programs to additional schools in the Cincinnati Public School System and several Butler and Warren County school districts. The result was over 1,800 students receiving high school and college credit for the same courses. In fiscal year 2015, efforts to transition to College Credit Plus, Ohio's statutorily prescribed initiative to manage and expand dual enrollment, was also a priority.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (unaudited) (Continued)**

The work to increase enrollment at off-campus sites continued. The previously completed Phase II of Middletown Campus expansion, with new labs and added personnel, has allowed the College to offer more STEM classes, including Natural Sciences and Nurse Aid Training. Utilization of the Harrison campus, which houses the aviation program, has increased with more courses as part of a "start your degree here" promotion for transfer students; in addition, plans to offer the new welding degree at this location starting in fall 2014 were successfully implemented.

Distance Education growth has involved more online courses and programs; however, expansion has been slower than projected. The College continues to work toward building new partnerships to support this work. Use of quality matters and faculty professional development "Teaching Online for College" has improved student success in online courses.

The College signed on to the Midwestern SARA (State Authorization Reciprocity Agreement). SARA is a nationwide initiative that will make distance education courses more accessible to students across state lines. The requirements include consistent processes for tracking online students and providing an array of support services for the students. The benefit is to be able operate online programs in other states without seeking independent authorization from those states, thus supporting expansion.

Outreach to special populations, high school students, veterans, international, and Hispanic students has been successful. The College hosted ENGAGE, a two-day event for local/regional students, teachers, and families with hands-on demonstrations of College programs. Over 1,000 people attended. The College implemented the GE Skills to Work Program for Vets, hired managers for Veterans Affairs and International Student Affairs departments, and developed new partnerships with internal and cultural organizations such as American Homestay Network, LULAC, Su Casa, and African Foundation USA.

A few very strategically selected and developed new programs also allowed the College to meet the needs of new business markets across the region. These included Welding Technology, Supply Chain Management, and Cyber Security. The Welding program, driven by employer demand and feedback, will educate students in the field of welding based on the American Welding Society (AWS) curricula. The College's \$2.75 million federal TAACCCT grant from the U.S. Department of Labor funded the program start-up; this encompassed an expert faculty hire, curriculum development, welding booths, and virtual welding stations. Supply Chain Management was designed to prepare students for entry level positions in inventory management, material handling, warehousing, logistics, traffic and transportation, and purchasing. The program has also received strong support from the local chapters of the Material Handling Institute, the Council of Supply Chain Management Professionals, and the Warehousing Education and Research Council. The Cyber Security major is an option for our existing Computer Network Engineering Technology program to meet the need for IT professionals who understand risk management, IT governance, and continuity planning.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (unaudited) (Continued)**

### **Workforce Development**

The College's Workforce Development Center (WDC) holds an established position as a primary agent in the delivery of workforce training, and in the influence of state and regional workforce policy. Growing demand within the market for collaborative, high-impact workforce training is being driven by a number of economic and demographic influences; the improving economic outlook is causing companies to add new jobs, all while facing an aging workforce with a large proportion of incumbent workers approaching retirement age. At the same time, there remains a significant gap between the skills required for these positions and those skills possessed by the younger members of the regional workforce. The demand for industry training is projected to grow steadily over the next five years, and the WDC is uniquely poised to meet this growing demand.

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

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

This emphasis on industry-driven services is exemplified by the rapid expansion of Apprenticeship Training Programs that the WDC has developed and delivered in the past three years. Successfully launched WDC apprenticeship programs for companies including General Electric Aviation, Ford Motor Company, and A.K. Steel signal a resurgence of companies' demand for advanced and effective workforce education and training. This year, the WDC completed the first of a series of advanced manufacturing apprenticeship programs through a partnership led by Richards Industries in conjunction with the regional non-profit organization, Partners for a Competitive Workforce. Through this collaborative program, Richards Industries reported an unprecedented 875 percent return on their investment (ROI) in WDC-delivered workforce training. The execution of these innovative programs is central to the WDC's sustained growth and success.

The WDC provides a unique, strategic opportunity for the College to deliver educational college-credit pathways to its students and the employees of its clients. Through the use of stackable credentials, successful programs such as the Child Development Associate (CDA) program allows students to complete industry training that leads to a professional certification, while also receiving college credit that is directly applicable to a degree program. As a result, many of the 160 students who completed the short-term training in CDA last fiscal year have gone on to pursue an Associate's Degree in Early Childhood Education - due in large part to the head-start granted by the stackable credentials. At the same time, employers such as Shepherd Color have shown specific interest in the ongoing education of the incumbent workforce by offering on-site college credit courses that lead to an Associate of Arts degree for their employees. Initiatives such as these allow for the College to meet the immediate workforce training needs of its students and clients, while providing a steady stream of new students to the College's numerous certificate and degree programs.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (unaudited) (Continued)**

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

### **Quality Management**

The College has made a commitment to fostering an environment of continuous improvement through its Quality Management Initiative (QMI), which began in 1997. The College has been a member of the Continuous Quality Improvement Network (CQIN) since 1999. CQIN is a national organization that benchmarks best practices in higher education. In 2001, the College joined the Academic Quality Improvement Program (AQIP), an alternative process for maintaining accreditation through the Higher Learning Commission, a member of the North Central Association of Colleges and Schools. In addition to using AQIP for assessment and institutional improvement, the College engages in quality assessment benchmarking studies such as the National Community College Benchmark Project (NCCBP), the Community College Survey of Student Engagement (CCSSE) and the Personal Assessment of the College Environment (PACE). These partnerships provide opportunities for benchmarking against national and regional standards in assessing institutional performance.

### **Enrollment and Retention**

For fiscal year 2015, total credit hours, headcount and FTEs were down from fiscal year 2014. There were a number of factors contributing to the credit hour, headcount and FTE decline, including a continued improving regional employment picture, and increasing competition from area public and proprietary college as well as a shift of the number of credit hours enrolled from full-time at 40 percent to part-time 60 percent. Initiatives are underway to address the decline in enrollment which includes but is not limited to high touch communication and the use of Starfish, an early alert system designed to track academic progress and provide immediate intervention. Additionally, the College is one of three community colleges in Ohio currently participating in a replication study of ASAP - Accelerated Study in Associate Program from CUNY system of New York - to provide intensive case management services along with mitigating financial barriers to increase the number of students who graduate within two to three years.

For the fall 2015 semester, credit hours and full-time equivalents (FTEs) have declined approximately 12 percent below fall 2014. The College continues to take measures to improve enrollment and retention by improving academic and student supports to impact student persistence to graduation. Important goals of the College's strategic plan are to increase retention from its current 45 percent to 60 percent by the end of fiscal year 2018 and to broaden its footprint into new sites, increase distance education offerings, and grow enrollment of targeted populations such as veterans and international students to name a few. Additionally, collaborative efforts are underway to increase alignment of career pathways with credits for training within Workforce Development programming.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (unaudited) (Continued)**

Strategies resulting from institutional goals, Ohio Completion Plan, and AQIP initiatives are in the planning and implementation stages which include but are not limited to expanding our reach to increase College Credit plus enrollment, increasing scholarship monies to new first-time students, earlier registrations, decreasing credit hours to complete associate degree programs, increased course offerings through mid-semesters, and leveraging grant opportunities to provide additional services focused on student persistence from entry to graduation.

### **Energy Management**

The College has displayed strong leadership in controlling energy consumption while at the same time providing facility access for extended days and hours to support the educational process. In recent years, multiple energy projects such as an HVAC DDC system replacement, lighting retrofits, window and door replacements, mechanical and equipment upgrades, sub-metering technology in the Main building for continuous commissioning, and block scheduling practices have accelerated the reduction of energy demand allowing the College to exceed HB 251 energy efficiency goals ahead of schedule. The College stopped purchasing electric power through the regulated market and began purchasing electric power through the deregulated market, decreasing its costs by approximately 33 percent annually.

In an ongoing effort to conserve energy and reduce expenses, garage lighting upgrades to LED were made in the College's two main parking garages as well as to the College's hangar lights at its Cincinnati West Airport. The installation of a new HVAC cooling tower will conserve water and help reduce energy. The Evendale chiller replacement, gymnasium LED lighting installation, and the replacement of the last set of aged switch gear continue to generate energy rebates to the College and utility consumption reduction. The installation of a new boiler in the D wing of main provides for improved temperature control related to the chemistry labs and the operation of the chemistry fume hoods. Emergency electrical panels have been upgraded to improve safety related to the College electrical system.

### **State Capital Funding Investment**

As part of the State of Ohio capital allocation process, the College received \$4,600,000 in July 2014. These funds were designated for the expansion of space to support workforce development training and transfer educational opportunities.

The prior capital funding allowed the College to renovate three laboratories, one prep room, and one classroom that support the high demand chemistry and environmental science programs. These spaces were significantly aged with fume hood ventilation challenges, chemical storage challenges, and inadequate heating and cooling for the instructional spaces. The project resulted in modernized and energy efficient instructional spaces. Additionally, the College continued to invest in the "smart classroom" upgrade moving 93 classrooms forward with upgraded instructional technology. The third funded project provided support for the complete demolition/reconstruction of restrooms located adjacent to the College's public conference center. This project improved the ADA access to six restrooms and modernized the entrances and the finishes. By investing prior year capital funds and deferred maintenance funds, the College has now completed the renovation of all restroom stacks in the Main building providing ADA accessible restrooms at all locations and installing fixture and floor finishes that improve the ability to maintain these facilities. Antiquated piping and ventilation that supported these spaces have been replaced.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (unaudited) (Continued)**

### **Deferred Maintenance**

The College has invested \$5.5 million in the deferred maintenance program in 2012, 2013, 2014, and 2015 budget allocations. Those funds were used to begin to address the backlog of deferred maintenance projects. The investment is made following four principals: (1) protection of the physical assets; (2) improvement of the utility systems function; (3) enhancement of safety and security; and (4) support of instructional programs. To improve the value of the scarce deferred maintenance funds, the College has partnered with the Resource Center and with Building Value to reduce significantly the cost of furniture and project demolition, respectively. Both the Resource Center and Building Value are significant community partners that support not-for-profit organizations and provide for the recycling of building furnishings and materials.

Significant projects accomplished through the deferred maintenance investment include repairs to the grease trap and steam line systems; repairs to College Drive; roof repairs at the Childcare Center, A and B Wings, and the Harrison Center; exterior weatherproofing; improvements to the Harrison Welding lab; security camera upgrades; and refrigeration loop repairs. An Arc Flash Study was also completed.

### **Information Technology**

The Information Technology Services (ITS) Division provides more than just technology services to the College community. Top priorities are for the College community to view the ITS Division as a partner in the College's overall success as well as a leader in encouraging innovation and improving services while providing cost-effective high quality education. ITS' projects and activities support the College's Strategic Goals - *Increasing Student Success, Expanding Our Reach, Building Community, and Fiscal Sustainability*. For the College to be successful, it needs to focus on the four domains that impact learning: student, faculty, curricula, and home.

The ITS Division continues to be in compliance with Payment Card Industry (PCI) Security Council Standards. This effort has evolved into a larger, more inclusive Information Security Program that includes the establishment of an Information Security Council, Information Security Awareness Program, information security policies, and standards and change management processes and procedures. As part of the ITS Divisions' Disaster Recovery/Business Continuity Plan, new IBM servers supporting our ERP System were installed at the Clifton and Middletown campus (production data is replicated there on a regular basis). ITS expanded its virtual environment by building out the virtual server base and deploying Development, Test, and production servers all separated by firewall and server hardening.

ITS designed/architected, built, and tested a replacement of the Ellucian delivered web time entry. This new system will save countless hours of staff time resulting in increased productivity across the entire campus. It will also replace the problems associated with over-time and shift differential plaguing the vendor provided solution. This system will be implemented in the up-coming review year.

The ITS Division goals for 2015-2016 will be to:

1. Support first year entry initiatives such as mandatory advising, multiple "mini" semesters, early registration, etc.
2. Enhance academic, student support services, and operation services
3. Support student completion initiatives

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (unaudited) (Continued)**

To ensure student, faculty, and institutional success, the ITS Division will continue to leverage the power of big data to inform the student engagement continuum as well as to improve student services and faculty effectiveness. Big data was originally adopted by state/local governments and businesses to analyze organizational processes, identify spending trends, and predict consumer behavior. Education is embarking on a similar pursuit into new ways of applying to improve student engagement and provide a high-quality, personalized experience for learners. With college dropout rates above one third and soaring student debt, colleges such as Cincinnati State are using big data and analytics to remain competitive and to improve student success. The use of big data has been a focus for our online programs as students are generating a large amount of learning-related data that could inform important decisions on course/program effectiveness and the learning process. The ITS Division will continue to support using big data for customer resource management; to validate college admission assessments, Fit and Talent, improving student retention and reporting, college operations, and faculty effectiveness.

### **Fundraising**

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

Development will focus on rebuilding the College's Annual Fund operations and grow its endowment, as well as cultivate greater major gift opportunities. Student Scholarships are a key component of the College's strategic plan as data has shown the significant impact they have on retention and graduation.

### **College/Faculty Relations**

The prior three-year collective bargaining agreement between the College and the Cincinnati State Chapter of the American Association of University Professors (AAUP) covered the period from September 2011 to August 2014 ended. In 2011, negotiations in concluding this agreement were especially challenging due to matters related to instructional workload because of the change from five 10-week academic terms to three 15-week semesters.

In 2014, negotiations were approached in a collaborative manner and a tentative agreement was reached before the contract period ended. The new agreement covers the period from 2014 to 2017. It addresses workload, allowing a progressive reduction to put Cincinnati State faculty in alignment with other community college faculty in Ohio. Major achievements for the administration include establishment of a new position (Annual Contracted Faculty), well defined Program Chair duties, and an increase in the employee health benefits contribution. These changes position us for a strong future. In addition, the positive negotiations resulted in an improvement in faculty morale and commitment to College goals. This resulted in full deployment of the AAUP workload reduction, however, we were able to meet student demand by utilizing the new Annual Contracted Faculty option and more efficient course scheduling.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (unaudited) (Continued)**

Legislative changes in the State Teachers Retirement System has led to more faculty retirements than usual but most are now working part-time (post-retirement) and training the many new faculty that have joined the College. While the retirements among faculty caused some challenges, there is opportunity to bring in new talent at a lower cost. Recent hires have impressive backgrounds, with teaching experience plus tremendous accomplishments in industry.

### **Middletown Campus**

In a first of its kind in Ohio and as a key component of its strategic growth plan, the College entered into public/private collaboration agreement with Higher Education Partners LLC (HEP) of New Bedford, Massachusetts to open up a new Community College location in downtown Middletown, Ohio for fall Semester 2012. The initial term of agreement with HEP is twenty (20) years with four (4) five (5) year renewals. The initial term of the agreement has been extended to thirty (30) years. The Ohio Attorney General's Office has approved the collaboration agreement.

The Middletown campus opened on August 29, 2012. Originally projected at 200 students for the first full academic year, over 350 students enrolled for the fall semester alone. In its first year at Middletown, the College offered fourteen (14) associate degree programs, five (5) certificate programs, and fourteen (14) workforce development training programs for academic credit. In preparation for fiscal year 2015, the College completed Phase III of Middletown expansion with additional lab and lecture space to support new degrees and courses. The resulting fall semester enrollment was about 700 students.

HEP purchased the 60,000 sq. ft. former CG&E building in downtown Middletown that is providing academic programming - on location, on-line, and/or hybrid to up to a projected 3,000 students by the end of five years. HEP has invested up to \$6 million in the Middletown facility in acquisition, construction, and equipment costs. The College will not be responsible for any of these costs but has approval over design, construction, and equipment. The College also either owns or controls three other buildings in Middletown to use for future expansion.

The College has complete control over academic programs and educational approvals offered at Middletown. There are opportunities to share in royalties for jointly developed academic content. A joint marketing plan is developed and implemented each academic year. HEP retains rights, duties, and financial responsibilities relating to the management, ownership and repair of the facility but the College has complete control over use of facility. The College will retain records and be financially accountable for direct academic costs, academic support costs and operating expenses at Middletown. HEP will pay the College 5 percent of these costs as indirect costs and will guarantee that revenues are never less than 105 percent of these expenses.

HEP will receive 15 percent of all revenues (service fee) from Middletown facility, including tuition and fees, Workforce Development programming revenue, State Subsidy, rental revenues, and any other revenues received from other public/private sources, if collaboration revenues are available. Once Collaboration income is sufficient to pay for ongoing and rolled forward service fee and unreimbursed building costs, all excess income goes to the College. Therefore the collaboration agreement is designed to protect the College from loss and provides for the possibility to receive excess income.

# **Cincinnati State Technical and Community College**

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## **Management's Discussion and Analysis (unaudited) (Continued)**

### **Summary**

Looking forward, the College remains positioned to maintain its strong financial position through enhanced academic programming, higher student retention and graduation, partnerships, continuous quality improvement, fundraising, and by continuing to successfully control costs through firm sound fiscal and operational management.

# Cincinnati State Technical and Community College

## Statements of Net Position

	Cincinnati State Technical and Community College		Cincinnati State Technical and Community College Foundation	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 4,172,334	\$ 3,750,329	\$ 1,449,430	\$ 960,452
Accounts receivable:				
Accounts receivable	11,752,079	11,737,082	-	-
Pledges receivable	-	-	183,327	128,179
Receivable due from the College	-	-	-	75,550
Investments	6,859,317	5,138,478	4,750,184	5,070,921
Inventory	151,684	134,284	-	-
Prepaid and other assets	1,980,067	2,017,340	-	-
Total current assets	24,915,481	22,777,513	6,382,941	6,235,102
<b>Noncurrent Assets</b>				
Capital assets - Net	87,356,670	89,616,931	-	-
Other assets:				
Investments	8,993,543	15,410,635	-	-
Long-term lease receivable	667,539	1,137,531	-	-
Other assets	-	346,241	-	-
Total noncurrent assets	9,661,082	16,894,407	-	-
Total assets	121,933,233	129,288,851	6,382,941	6,235,102
<b>Deferred Outflows of Resources - Deferred gain on advance refunding of bonds</b>	1,608,642	1,827,102	-	-
Total assets and deferred outflows of resources	<b>\$ 123,541,875</b>	<b>\$ 131,115,953</b>	<b>\$ 6,382,941</b>	<b>\$ 6,235,102</b>
<b>Liabilities, Deferred Inflows of Outflows, and Net Position</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 991,635	\$ 1,560,632	\$ 227,812	\$ 329,355
Current portion of capital leases	1,094,557	1,013,611	-	-
Current portion of long-term debt	2,427,437	2,643,004	-	-
Unearned revenue	4,569,572	4,560,730	-	-
Accrued liabilities:				
Accrued payroll	1,991,087	2,030,346	-	-
Accrued compensated absences	2,982,967	3,441,351	-	-
Accrued interest	570,040	505,895	-	-
Other liabilities	2,017,625	2,216,313	-	-
Total current liabilities	16,644,920	17,971,882	227,812	329,355
<b>Noncurrent Liabilities</b>				
Long-term debt	40,461,478	43,753,287	-	-
Net pension liability	90,001,671	-	-	-
Total liabilities	147,108,069	61,725,169	227,812	329,355
<b>Deferred Inflows of Resources - Pension activity</b>	9,541,922	-	-	-
<b>Net Position</b>				
Net investment in capital assets	46,119,376	45,975,996	-	-
Restricted expendable	1,315,508	2,921,619	2,741,461	2,230,192
Unrestricted	(80,543,000)	20,493,169	621,283	933,803
Restricted nonexpendable	-	-	2,792,385	2,741,752
Total net position	(33,108,116)	69,390,784	6,155,129	5,905,747
Total liabilities, deferred inflows of resources, and net position	<b>\$ 123,541,875</b>	<b>\$ 131,115,953</b>	<b>\$ 6,382,941</b>	<b>\$ 6,235,102</b>

# Cincinnati State Technical and Community College

## Statements of Revenue, Expenses, and Changes in Net Position

	Cincinnati State Technical and Community College		Cincinnati State Technical and Community College Foundation	
	Year Ended			
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<b>Operating Revenue</b>				
Student tuition and fees	\$ 40,317,224	\$ 44,325,416	\$ -	\$ -
Less: Scholarship allowance	(14,191,851)	(16,913,278)	-	-
Net student tuition and fees	26,125,373	27,412,138	-	-
Federal grants and contributions	7,153,372	9,431,712	-	-
State grants and contributions	576,365	1,009,022	-	-
Private gifts, grants, and contributions	1,171,006	1,083,263	-	-
Contributions	-	-	2,220,892	2,642,593
Departmental and other educational activities	1,783,591	1,874,276	-	-
Auxiliary enterprises	3,558,758	3,757,258	-	-
Other operating revenues	2,011,492	2,070,920	(58,987)	506,427
Total operating revenue	42,379,957	46,638,589	2,161,905	3,149,020
<b>Operating Expenses</b>				
Instruction	31,814,473	33,828,189	1,710,462	1,841,546
Public service	6,520,169	9,161,890	-	-
Academic support	6,926,568	6,739,128	-	-
Student services	8,152,245	8,656,925	-	-
Scholarships and student aid	849,962	800,522	-	-
Auxiliary enterprises	4,012,515	4,347,955	-	-
Institutional support	17,813,517	21,089,694	-	-
Operation and maintenance	6,684,350	7,176,074	-	-
Depreciation and amortization	4,269,031	4,066,735	-	-
Other expenses	-	-	337,904	337,693
Total operating expenses	87,042,830	95,867,112	2,048,366	2,179,239
<b>Operating (Loss) Income</b>	(44,662,873)	(49,228,523)	113,539	969,781
<b>Nonoperating Revenue (Expense)</b>				
Federal Pell grants	13,424,282	15,872,503	-	-
State appropriations	29,444,606	29,594,754	-	-
Investment income	1,029,644	1,170,378	135,843	158,200
Interest on capital asset related debt	(1,797,417)	(1,587,652)	-	-
Net nonoperating revenue	42,101,115	45,049,983	135,843	158,200
<b>(Loss) Income - Before other revenue, expenses, gains, and losses</b>	(2,561,758)	(4,178,540)	249,382	1,127,981
<b>Other Revenue, Expenses, Gains, and Losses</b>				
Capital grants and gifts	43,983	3,523,882	-	-
Capital appropriations from State	707,306	1,802,555	-	-
Total other revenue, expenses, gains, and losses	751,289	5,326,437	-	-
<b>(Decrease) Increase in Net Position</b>	(1,810,469)	1,147,897	249,382	1,127,981
<b>Net Position</b>				
Beginning of year	69,390,784	68,242,887	5,905,747	4,777,766
Adjustment for change in accounting principle	(100,688,431)	-	-	-
Net position - Beginning of year - As restated	(31,297,647)	68,242,887	5,905,747	4,777,766
End of year	<b>\$ (33,108,116)</b>	<b>\$ 69,390,784</b>	<b>\$ 6,155,129</b>	<b>\$ 5,905,747</b>

# Cincinnati State Technical and Community College

## Statements of Cash Flows

	Year Ended	
	June 30, 2015	June 30, 2014
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 24,692,267	\$ 26,598,358
Federal, state, and local grants and contracts	8,902,908	10,966,344
Payments to suppliers	(19,135,544)	(23,497,582)
Payments to employees	(43,041,863)	(44,487,452)
Payments to utilities	(1,565,832)	(1,521,995)
Payments for benefits	(15,043,862)	(17,016,839)
Payments for scholarships and student financial aid	(849,961)	(800,522)
Auxiliary enterprises revenues	3,558,757	3,757,256
Auxiliary enterprises expenses	(4,012,514)	(4,347,952)
Sales and services of educational activities	1,770,413	1,874,275
Other receipts	3,450,733	3,128,470
Net cash used in operating activities	(41,274,498)	(45,347,639)
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	29,444,606	29,594,754
Pell receipts and disbursements	13,424,281	15,872,503
Net cash provided by noncapital financing activities	42,868,887	45,467,257
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital appropriations from the State	707,306	1,802,554
Principal payments on bonds	(2,424,548)	(1,872,332)
Principal payments on capital lease obligations	(1,051,275)	(904,539)
Proceeds from capital lease receivable	458,088	390,385
Interest payments on bonds and capital lease obligations	(1,733,271)	(1,540,681)
Purchase of capital assets	(3,460,230)	(2,268,169)
Net cash used in capital and related financing activities	(7,503,930)	(4,392,782)
<b>Cash Flows from Investing Activities</b>		
Investment income	881,544	308,074
Purchase of investment securities	(20,514,181)	(6,937,744)
Proceeds from sale and maturities of investment securities	25,964,183	11,641,104
Net cash provided by investing activities	6,331,546	5,011,434
<b>Net Increase in Cash and Cash Equivalents</b>	422,005	738,270
<b>Cash and Cash Equivalents - Beginning of year</b>	3,750,329	3,012,059
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 4,172,334</b>	<b>\$ 3,750,329</b>

# Cincinnati State Technical and Community College

## Statements of Cash Flows (Continued)

	Year Ended	
	June 30, 2015	June 30, 2014
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (44,662,873)	\$ (49,228,523)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	4,269,031	4,066,735
Provisions for doubtful accounts	1,077,319	1,364,479
Loss on disposal of capital assets	23,439	35,569
Changes in assets and liabilities:		
Receivables	(1,091,041)	(892,362)
Inventories	(17,399)	59,525
Other assets	383,513	(311,191)
Accounts payable and accrued expenses	(120,491)	344,130
Unearned revenue	8,842	(786,001)
Net pension liability	(1,144,838)	-
Net cash used in operating activities	<b>\$ (41,274,498)</b>	<b>\$ (45,347,639)</b>
<b>Supplemental Disclosure of Noncash Financing Activities -</b>		
Equipment and improvements capitalized under capital leases	<b>\$ 267,747</b>	<b>\$ 371,826</b>

# Cincinnati State Technical and Community College

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## Notes to Financial Statements June 30, 2015 and 2014

### Note 1 - Nature of Business and Significant Accounting Policies

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

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

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

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

**Basis of Presentation** - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

# Cincinnati State Technical and Community College

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## Notes to Financial Statements June 30, 2015 and 2014

### Note I - Nature of Business and Significant Accounting Policies (Continued)

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

**Net investment in capital assets:** The College's investment in capital assets, net of outstanding debt obligations and deferred gain on advance bond refunding related to the acquisition, construction, or improvement of those assets.

**Restricted - Expendable:** Resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

**Restricted - Unexpendable:** Resources the College is legally or contractually obligated to retain in perpetuity.

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

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

**Cash and Cash Equivalents** - In accordance with the State of Ohio and College policy, the College is authorized to invest cash in United States government securities, federal agencies' securities, State of Ohio securities, and certificates of deposit, all of which are stated at fair value.

The College considers all highly liquid investments purchased with original maturity of three months or less to be a cash equivalent.

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

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note I - Nature of Business and Significant Accounting Policies (Continued)

**Capital Assets** - Land, land improvements, buildings, equipment, and library books are stated at cost at date of acquisition or, in the case of gifts, fair value at date of donation. Subsequent additions have been recorded at cost. Additions greater than \$5,000 are capitalized for furniture and fixtures and greater than \$1,000 for all other assets. The costs of normal maintenance and repairs are not capitalized. Expenditures for construction in progress are capitalized as incurred. Infrastructure assets are included in the financial statements and are depreciated. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

The following estimated useful lives are used to compute depreciation:

	<u>Years</u>
Land improvements	20
Buildings and improvements	15-60
Equipment and furniture	3-20
Library books and audio visual	20

**Accounts Receivable** - Accounts receivable are stated at net invoice amounts and consist of amounts due for tuition and fees, grants and contracts, and auxiliary enterprise services. Grants and contracts receivable include amounts due from the federal government, state and local governments, or private sources, as reimbursement for certain expenditures made in accordance with the agreements. An allowance for bad debts is established on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed uncollectible are charged against bad debt expense in the period that determination is made.

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

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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

**Deferred Outflows** - In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows consist of deferred charges arising from the advance refunding of the 2002 bond issue and the difference between the reacquisition price and the net carrying amount of the old debt. The College recorded deferred outflows of \$1,608,642 and \$1,827,102 at June 30, 2015 and 2014, respectively.

**Deferred Inflows** - In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College's deferred inflows of resources relate to the net pension liability (see Note 16).

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

# Cincinnati State Technical and Community College

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## Notes to Financial Statements June 30, 2015 and 2014

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

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

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

**Operating and Nonoperating Revenue and Expenses** - All revenues and expenses from programmatic sources are considered to be operating revenues and expenses. Included in nonoperating revenues and expenses are state appropriations, investment income and gifts, and interest expense.

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

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

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

# Cincinnati State Technical and Community College

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## Notes to Financial Statements June 30, 2015 and 2014

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Adoption of New Standard** - The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statement, the College has reported \$100,688,431 as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014. June 30, 2014 amounts have not been restated to reflect the impact of GASB 68 because the information is not available to calculate the impact on pension expense for the fiscal year ended June 30, 2014.

### **Note 2 - Cash, Cash Equivalents, and Investments**

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

At June 30, 2015 and 2014, the cash on hand was \$16,220 and \$15,720, the carrying amount of the College's deposits was \$4,156,114 and \$3,734,609, and the depository bank balance was \$6,000,446 and \$6,435,221, respectively. The difference between the carrying amount and the depository bank balance is due principally to outstanding checks and deposits-in-transit. Of the \$6,000,446 bank balance at June 30, 2015, \$250,000 was covered by federal depository insurance and \$5,750,446 was collateralized by pledged and pooled securities not in the College's name. Of the \$6,435,221 bank balance at June 30, 2014, \$250,000 was covered by federal depository insurance and \$6,185,221 was collateralized by pledged and pooled securities not in the College's name.

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 2 - Cash, Cash Equivalents, and Investments (Continued)

The investment balance in both years includes \$177 in State Treasury Asset Reserve of Ohio (STAR Ohio) funds for which collateral requirements mentioned above do not apply as of June 30, 2015 and 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governmental entities within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the measurement date. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be returned to the College. The College follows the deposit policy for custodial risk in accordance with the Ohio Revised Code.

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

Investments at June 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Bond funds	\$ 13,917,489	\$ 14,674,503
Common stock	-	3,653,575
Money market funds	1,935,194	2,220,858
Star Ohio funds	<u>177</u>	<u>177</u>
Total	<u>\$ 15,852,860</u>	<u>\$ 20,549,113</u>

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 2 - Cash, Cash Equivalents, and Investments (Continued)

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

As of June 30, 2015 and 2014, the College investment maturities were as follows:

<b>June 30, 2015</b>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>
U.S. government obligations	\$ 11,257,685	\$ 4,021,018	\$ 7,236,667
U.S. government agency bonds	2,659,804	903,017	1,756,787
Star Ohio funds	177	177	-
Money market funds	1,935,194	1,935,194	-
Total	<u>\$ 15,852,860</u>	<u>\$ 6,859,406</u>	<u>\$ 8,993,454</u>
<b>June 30, 2014</b>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>
U.S. government obligations	\$ 10,902,520	\$ 1,558,722	\$ 9,343,798
U.S. government agency bonds	3,771,983	1,358,720	2,413,263
Star Ohio funds	177	177	-
Money market funds	2,220,858	2,220,858	-
Total	<u>\$ 16,895,538</u>	<u>\$ 5,138,477</u>	<u>\$ 11,757,061</u>

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

As of June 30, 2015 and 2014, approximately 5 percent (\$858,000) and 10 percent (\$1,750,000) of the College's portfolio is held in various Federal National Mortgage Association Notes, 8 percent (\$1,299,000) and 7 percent (\$1,110,000) is held in various Federal Home Loan Mortgage Corporation Notes, respectively.

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 2 - Cash, Cash Equivalents, and Investments (Continued)

Investment	Fair Value	Quality Rating AAA (M)	AA+ (S&P)
<b>June 30, 2015</b>			
Bond funds	\$ 13,917,489	\$ 13,917,489	\$ -
Money market funds	1,935,194	1,935,194	-
Star Ohio funds	177	177	-
Total	<u>\$ 15,852,860</u>	<u>\$ 15,852,860</u>	<u>\$ -</u>
<b>June 30, 2014</b>			
Bond funds	\$ 14,674,503	\$ 14,674,503	\$ -
Money market funds	2,220,858	2,220,858	-
Star Ohio funds	177	177	-
Total	<u>\$ 16,895,538</u>	<u>\$ 16,895,538</u>	<u>\$ -</u>

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The College's investment policy limits investments, at cost, to no more than 10 percent in any single issue, except the investments of U.S. government securities. As of June 30, 2015 and 2014, there were no single-issuer investments that exceeded 5 percent of total investments.

**Foreign Currency Risk** - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. At June 30, 2015 and 2014, the College had no exposure to foreign currency risk.

### Note 3 - Accounts Receivable

Accounts receivable, net of allowance for doubtful accounts, as of June 30, 2015 and 2014 were as follows:

	2015	2014
Grants	\$ 1,296,405	\$ 1,906,498
State appropriations	11,566	11,566
Tuition and other	13,509,907	12,860,380
Collaboration agreement	379,899	634,958
Leases	1,137,531	1,595,619
Less allowance for doubtful accounts	<u>(3,915,690)</u>	<u>(4,134,408)</u>
Total accounts receivable	12,419,618	12,874,613
Less: Long-term lease receivable	<u>(667,539)</u>	<u>(1,137,531)</u>
Current accounts receivable	<u>\$ 11,752,079</u>	<u>\$ 11,737,082</u>

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 3 - Accounts Receivable (Continued)

The College has entered into a public/private collaboration agreement (the "Agreement") with Higher Education Partners, LLC, (HEP) of New Bedford, Massachusetts to open a new College location in Middletown, Ohio effective for fall semester 2012 (opened on August 29, 2012). The initial term of the Agreement is 20 years (four renewals every five years) and the Agreement was approved by the Ohio Attorney General.

Under this Agreement, HEP will invest up to \$6,000,000 in the Middletown facility in acquisition, construction, and equipment costs. The College will not be responsible for any of these costs but has approval over design, construction, and equipment and the right to purchase the Middletown facility at the end of the initial term for HEP's original acquisition cost.

The Agreement provides for the College to receive collaborative agreement revenue equal to 105 percent of agreed-upon expenses for participation in agreed-upon revenue (as defined in the Agreement) by HEP and for excess net income to be received by the College after covering 105 percent of HEP expenses and a 15 percent service fee; therefore, the Agreement is designed to protect the College from loss and provides for the possibility to receive excess income.

During fiscal years 2015 and 2014, certain amounts were advanced to HEP and certain amounts were paid to the College as part of the Agreement. The net advance to HEP at June 30, 2015 and 2014 was \$379,899 and \$634,958, respectively.

In addition, HEP has leased certain equipment, improvements, and other assets from the College under a lease agreement. Annual principal and interest payments under these leases for the years ending June 30 are as follows:

<u>Years Ending</u>	<u>Amount</u>
2016	\$ 469,992
2017	482,277
2018	155,161
2019	<u>30,101</u>
Total	1,137,531
Less: Current portion	<u>(469,992)</u>
Long-term lease receivable	<u>\$ 667,539</u>

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 4 - Capital Assets

Capital asset activity for the years ended June 30, 2015 and 2014 were as follows:

	Balance July 1, 2014	Additions	Transfers and Disposals	Balance June 30, 2015
Nondepreciable assets -				
Land	\$ 2,321,359	\$ -	\$ -	\$ 2,321,359
Depreciable assets:				
Land improvements	2,256,078	-	-	2,256,078
Building and improvements	131,418,877	1,432,634	(607,157)	132,244,354
Equipment and furniture	7,624,081	564,269	(357,413)	7,830,937
Library books and audio visual	1,271,512	35,306	(19,141)	1,287,677
Total depreciable assets	142,570,548	2,032,209	(983,711)	143,619,046
Accumulated depreciation:				
Building and improvements	49,131,346	3,715,186	(607,157)	52,239,375
Equipment and furniture	5,633,723	489,391	(339,383)	5,783,731
Library books and audio visual	509,907	64,454	(13,732)	560,629
Subtotal	55,274,976	4,269,031	(960,272)	58,583,735
Net capital assets, depreciable	87,295,572	(2,236,822)	(23,439)	85,035,311
Net capital assets	<u>\$ 89,616,931</u>	<u>\$ (2,236,822)</u>	<u>\$ (23,439)</u>	<u>\$ 87,356,670</u>
	Balance July 1, 2013	Additions	Transfers and Disposals	Balance June 30, 2014
Nondepreciable assets:				
Land	\$ 2,216,369	\$ 104,990	\$ -	\$ 2,321,359
Construction in progress	2,106,990	628,736	(2,735,726)	-
Total nondepreciable assets	4,323,359	733,726	(2,735,726)	2,321,359
Depreciable assets:				
Land improvements	2,256,078	-	-	2,256,078
Building and improvements	126,489,682	6,605,274	(1,676,079)	131,418,877
Equipment and furniture	6,920,160	1,197,469	(493,548)	7,624,081
Library books and audio visual	1,288,237	50,867	(67,592)	1,271,512
Total depreciable assets	136,954,157	7,853,610	(2,237,219)	142,570,548
Accumulated depreciation:				
Building and improvements	47,171,577	3,635,848	(1,676,079)	49,131,346
Equipment and furniture	5,742,068	364,364	(472,709)	5,633,723
Library books and audio visual	496,247	66,523	(52,863)	509,907
Subtotal	53,409,892	4,066,735	(2,201,651)	55,274,976
Net capital assets, depreciable	83,544,265	3,786,875	(35,568)	87,295,572
Net capital assets	<u>\$ 87,867,624</u>	<u>\$ 4,520,601</u>	<u>\$ (2,771,294)</u>	<u>\$ 89,616,931</u>

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 4 - Capital Assets (Continued)

Equipment and improvements recorded under capital leases amounted to \$3,108,886 and \$2,900,698 at June 30, 2015 and 2014, respectively. Accumulated depreciation and amortization related to these assets amounted to \$1,152,000 and \$666,318 for the years ended June 30, 2015 and 2014, respectively.

### Note 5 - Long-term Debt

Long-term debt activity for the years ended June 30, 2015 and 2014 was as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
General receipts bonds	\$ 42,120,000	\$ -	\$ (2,440,000)	\$ 39,680,000	\$ 2,230,000
Bond premium	1,675,522	-	(203,004)	1,472,518	197,437
Total bonds payable	43,795,522	-	(2,643,004)	41,152,518	2,427,437
Capital lease obligation	3,614,380	267,849	(1,051,275)	2,830,954	1,094,557
Total	\$ 47,409,902	\$ 267,849	\$ (3,694,279)	\$ 43,983,472	\$ 3,521,994

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
General receipts bonds	\$ 44,005,000	\$ -	\$ (1,885,000)	\$ 42,120,000	\$ 2,440,000
Bond premium	1,883,406	-	(207,884)	1,675,522	203,004
Total bonds payable	45,888,406	-	(2,092,884)	43,795,522	2,643,004
Capital lease obligation	4,204,233	371,826	(961,679)	3,614,380	1,013,611
Total	\$ 50,092,639	\$ 371,826	\$ (3,054,563)	\$ 47,409,902	\$ 3,656,615

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

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

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 5 - Long-term Debt (Continued)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,370,000. This difference, reported as a deferred outflow on the statement of net position, is being charged to operations through the year 2029 using the effective-interest method. The balance of the defeased debt in the escrow account at June 30, 2015 is approximately \$35,875,000.

The annual debt service requirements to maturity for the bonds for the years ending June 30 were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,230,000	\$ 1,313,738	\$ 3,543,738
2017	2,455,000	1,215,363	3,670,363
2018	2,510,000	1,170,663	3,680,663
2019	2,590,000	1,105,363	3,695,363
2020	2,655,000	1,010,263	3,665,263
2021-2025	14,575,000	3,771,113	18,346,113
2026-2029	12,665,000	974,700	13,639,700
Total	<u>\$ 39,680,000</u>	<u>\$ 10,561,203</u>	<u>\$ 50,241,203</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,094,557	\$ 68,473	\$ 1,163,030
2017	1,113,528	41,545	1,155,073
2018	517,645	14,306	531,951
2019	94,929	2,348	97,277
2020	10,295	101	10,396
Total	<u>\$ 2,830,954</u>	<u>\$ 126,773</u>	<u>\$ 2,957,727</u>

# Cincinnati State Technical and Community College

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## Notes to Financial Statements June 30, 2015 and 2014

### Note 6 - Employee Benefit Plans

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

Effective March 31, 1999, the board of trustees of the College approved the Chapter 3305 Alternative Retirement Plan in accordance with the provisions of Chapter 3305 of the Ohio Revised Code, which requires Ohio public universities and colleges to offer defined contribution plans to employees as an alternative to participation in the state-mandated defined benefit plans. Under the new plan, employees have participant-directed accounts with participant-selected companies designated by the State that have entered into provider agreements with the College to administer the plan in accordance with plan provisions as adopted by the College. The College contributed \$264,154 and \$217,228 to the Alternative Retirement Plan for the years ended June 30, 2015 and 2014, respectively.

### Note 7 - Other Postemployment Benefits

In addition to the pension benefits described in Note 16, School Employees Retirement System (SERS) and State Teachers Retirement System of Ohio (STRS) provide post-retirement healthcare coverage. The Ohio Revised Code provides the authority for public employers to fund postretirement health care through their contributions. Information presented herein about the financial activities and position of SERS and STRS has been extracted from information provided to the College by officials of SERS and STRS.

SERS: SERS coverage is made available to service retirees with 10 or more years of qualifying service credit for disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their healthcare premium. The portion is based on years of services, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below the federal poverty levels. Premiums are reduced by 25 percent for those who apply.

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 7 - Other Postemployment Benefits (Continued)

The Health Care Fund was established under and is administered in accordance with Internal Revenue Code §105(e). Each year after the allocation for statutorily required benefits, the retirement board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the years ended June 30, 2015, 2014, and 2013, the healthcare allocation is 0.82 percent, 0.14 percent, and 0.16 percent, respectively. An additional healthcare surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. State law provides that no employer shall pay a healthcare surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the healthcare surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the total amount assigned to the Health Care Fund. The College's contributions assigned to health care for the years ended June 30, 2015, 2014, and 2013 were \$93,688, \$22,396, and \$21,461, respectively.

STRS: STRS Ohio provides access to healthcare coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. Pursuant to Chapter 3307 of the Ohio Revised Code, the retirement board has discretionary authority over how much, if any, of the associated healthcare costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the healthcare costs in the form of a monthly premium.

The ORC grants authority to STRS Ohio to provide healthcare coverage to eligible benefit recipients, spouses, and dependents. By Ohio law, healthcare benefits are not guaranteed and the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Effective July 1, 2014, no employer contributions for STRS are being allocated to post-employment health care. Of the 14 percent employer contribution rate, 1 percent of the covered payroll was allocated to postemployment health care for 2014 and 2013. The portion of the College's 2014 and 2013 contributions to STRS Ohio used to fund post-employment benefits was \$259,697 and \$260,550, respectively.

# Cincinnati State Technical and Community College

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## Notes to Financial Statements June 30, 2015 and 2014

### Note 8 - Compensated Balances

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

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

At June 30, 2015 and 2014, the liability for personal and/or sick leave was approximately \$1,245,000 and \$1,660,000, respectively. Contract employees earn 20 days of vacation leave each year. Non-contract employees earn 10 days of vacation leave after one full year of service, 15 days after five years, and 20 days after 10 years. Upon retirement or termination, an employee is entitled to payment for all accrued vacation days up to a maximum of three times the annual vacation leave earned. The College has accrued a vacation liability for all employees equal to amounts earned but not taken up to the maximum. At June 30, 2015 and 2014, the liability for vacation was approximately \$1,738,000 and \$1,781,000, respectively.

### Note 9 - Grants and Contract

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

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 10 - Operating Leases

The College leases various equipment and facilities under operating leases. Operating lease expense was approximately \$1,090,000 and \$1,600,000 for the years ended June 30, 2015 and 2014, respectively. The approximate future minimum payments under operating leases at June 30, 2015 are due as follows:

Years Ending June 30	Amount
2016	\$ 385,456
2017	35,274
Total	<u>\$ 420,730</u>

### Note 11 - Auxiliary Enterprises

Revenues and expenses of the College's auxiliary enterprises for the years ended June 30, 2015 and 2014 consist of the following:

	Parking	Food Services	Airport	Childcare Center	MCI	CIT Studios	Total
Revenues	\$ 1,159,834	\$ 1,129,898	\$ 273,622	\$ 327,639	\$ 647,955	\$ 19,810	\$ 3,558,758
Expenses	1,119,687	1,287,644	231,003	432,944	921,827	19,410	4,012,515
Excess (deficiency) of revenues over expenses	<u>\$ 40,147</u>	<u>\$ (157,746)</u>	<u>\$ 42,619</u>	<u>\$ (105,305)</u>	<u>\$ (273,872)</u>	<u>\$ 400</u>	<u>\$ (453,757)</u>

	Parking	Food Services	Airport	Childcare Center	MCI	CIT Studios	Total
Revenues	\$ 1,213,961	\$ 1,266,054	\$ 280,857	\$ 255,981	\$ 686,553	\$ 53,852	\$ 3,757,258
Expenses	1,227,892	1,330,442	268,077	439,786	1,060,992	20,766	4,347,955
(Deficiency) excess of revenues over expenses	<u>\$ (13,931)</u>	<u>\$ (64,388)</u>	<u>\$ 12,780</u>	<u>\$ (183,805)</u>	<u>\$ (374,439)</u>	<u>\$ 33,086</u>	<u>\$ (590,697)</u>

### Note 12 - Restricted Net Position

The balances in restricted net position are expendable for use in the following:

	2015	2014
Student loans	\$ 3,147	\$ 30,527
Debt service facility fee	1,312,361	2,891,092
Total restricted expendable net position	<u>\$ 1,315,508</u>	<u>\$ 2,921,619</u>

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 13 - Risk Management

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

### Note 14 - Pending Litigation

The College is named a party to a number of lawsuits in the normal course of business. In the opinion of management, the resolution of these lawsuits will not have a material adverse effect on the College's financial position or results of operations.

### Note 15 - Component Unit

The College is the sole beneficiary of the Cincinnati State Technical and Community College Foundation (the "Foundation"), a separate, not-for-profit entity governed by a separate board of trustees, organized for the purpose of promoting educational activities. Amounts received by the College from the Foundation in the form of private gifts, grants, and contracts amounted to \$919,769 and \$793,998 for the years ended June 30, 2015 and 2014, respectively.

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

	2015	2014
Money market accounts	\$ 76,246	\$ 365,250
Mutual funds - Equities	3,558,548	3,537,457
Mutual funds - Fixed income	1,001,888	989,478
Real estate investments	37,505	31,283
Other investments	75,997	147,453
Total investments	<u>\$ 4,750,184</u>	<u>\$ 5,070,921</u>

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 15 - Component Unit (Continued)

Details of the Foundation's restricted net assets at June 30 are as follows:

	<u>2015</u>	<u>2014</u>
<b>Temporarily Restricted</b>		
Pledges receivable	\$ 183,327	\$ 128,179
Special purpose funds	2,487,477	1,595,421
Income on endowments	<u>70,657</u>	<u>506,592</u>
Total temporarily restricted	<u>\$ 2,741,461</u>	<u>\$ 2,230,192</u>
<b>Permanently Restricted</b>		
Endowment funds	<u>\$ 2,792,385</u>	<u>\$ 2,741,752</u>

### Note 16 - Cost-sharing Defined Benefit Pension Plans

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

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

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

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

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 16 - Cost-sharing Defined Benefit Pension Plans (Continued)

#### Benefits Provided

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

Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age. Beginning August 1, 2015, eligibility requirements for an unreduced benefit will change. The maximum annual retirement allowance, payable for life considers years of credited service, final average salary (3-5 years) and multiplying by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits.

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

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

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

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 16 - Cost-sharing Defined Benefit Pension Plans (Continued)

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

Member contributions are 10 percent of gross wages for all plans, set at the maximums authorized by the ORC. The plans' 2014 contribution rates on covered payroll to each system are:

	Employer Contribution Rate			
	Pension	Post-retirement Healthcare	Death Benefits	Total
SERS	13.05 %	0.90 %	0.05 %	14.00 %
STRS	13.00 %	1.00 %	0.00 %	14.00 %

In 2015, the contribution rates for SERS were the same as presented above for 2014 and the STRS rates were 14 percent for pension and zero percent for post-retirement healthcare and death benefits.

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

	2015	2014
SERS	\$ 2,242,817	\$ 2,244,011
STRS	3,395,926	3,635,400
Total	\$ 5,638,743	\$ 5,879,411

#### Payable to the Pension Plan

At June 30, 2015, the College reported a payable of \$297,307 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2015.

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 16 - Cost-sharing Defined Benefit Pension Plans (Continued)

#### Net Pension Liability, Deferrals, and Pension Expense

At June 30, 2015, the College reported a liability for its proportionate share of the net pension liability of STRS and SERS. The net pension liability was measured as of July 1, 2014 for STRS and June 30, 2014 for the SERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

Plan	Measurement Date	Net Pension Liability		Proportionate Share		Percent Change
		2015	2014	2015	2014	
SERS	June 30	\$ 27,960,496	\$ 32,863,825	0.55248 %	0.55248 %	0.00000 %
STRS	July 1	62,041,175	73,704,017	0.25507	0.25507	0.00000

For the years ended June 30, 2015 and 2014, the College recognized pension expense of \$6,035,155 and \$6,392,733, respectively. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 835,256	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(16,015,920)
College contributions subsequent to the measurement date	5,638,742	-
Total	<u>\$ 6,473,998</u>	<u>\$ (16,015,920)</u>

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

Years Ending June 30	Amount
2016	\$ (3,794,565)
2017	(3,794,565)
2018	(3,794,565)
2019	(3,794,565)
2020	(2,404)

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 16 - Cost-sharing Defined Benefit Pension Plans (Continued)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2016).

**Actuarial Assumptions** - The total pension liability is based on the results of an actuarial valuation determined using the following actuarial assumptions, applied to all periods included in the measurement:

	SERS - As of June 30, 2014	STRS - As of July 1, 2014
Valuation date	June 30, 2014	July 1, 2014
Actuarial cost method	Entry age normal	Entry age normal
Cost of living	3.0 percent	2.0 percent
Salary increases, including inflation	4.0 percent - 22.0 percent	2.75 percent - 12.25 percent
Inflation	3.25 percent	2.75 percent
Investment rate of return	7.75 percent, net of investment expense, including inflation	7.75 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended June 30, 2010	Period of 5 years ended July 1, 2012
Mortality basis	1994 Group Annuity Mortality Tables set back one year for both men and women. Special mortality tables are used for the period after disability retirement.	RP-2000 Combined Mortality Table (Projection 2022-Scale AA)

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent for STRS and SERS. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans.

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 16 - Cost-sharing Defined Benefit Pension Plans (Continued)

Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Investment Category	STRS		Investment Category	SERS	
	Target Allocation	Long-term Expected Real Rate of Return		Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	31.00 %	5.50 %	Cash	1.00 %	0.00 %
International Equity	26.00 %	5.35 %	U.S. Stocks	22.50 %	5.50 %
Alterations	14.00 %	5.50 %	Non-U.S. Stocks	22.50 %	5.50 %
Fixed Income	18.00 %	1.25 %	Fixed Income	19.00 %	1.50 %
Real Estate	10.00 %	4.25 %	Private Equity	10.00 %	10.00 %
Liquidity Reserves	1.00 %	0.50 %	Real Estate	10.00 %	5.00 %
Total	<u>100.00 %</u>		Hedge Funds	15.00 %	7.50 %
			Total	<u>100.00 %</u>	

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the College, calculated using the discount rate listed below, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Plan	1.00 Percent Decrease	Current Discount Rate	1.00 Percent Increase
SERS	6.75 % \$ 39,891,320	7.75 % \$ 27,960,496	8.75 % \$ 17,925,642
STRS	6.75 % <u>88,819,674</u>	7.75 % <u>62,041,175</u>	8.75 % <u>39,396,824</u>
	<u>\$ 128,710,994</u>	<u>\$ 90,001,671</u>	<u>\$ 57,322,466</u>

**Pension Plan Fiduciary Net Position** - Detailed information about the Plan's fiduciary net position is available in separately issued STRS and SERS financial reports.

# Cincinnati State Technical and Community College

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## Notes to Financial Statements June 30, 2015 and 2014

### Note 17 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The College is currently evaluating the impact this standard will have on the financial statements when adopted, during the College's June 30, 2016 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the College to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2018.

## **Required Supplementary Information**

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# Cincinnati State Technical and Community College

## Required Supplementary Information

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

	2015
College's proportion of the collective STRS net pension liability:	
As a percentage	0.25507%
Amount	\$ 62,041,175
College's covered-employee payroll	\$ 25,221,804
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	245.98%
STRS fiduciary net position as a percentage of the total pension liability	74.71%

### Schedule of College's Contributions - STRS

	2015
Statutorily required contribution	\$ 3,648,515
Contributions in relation to the actuarially determined contractually required contribution	\$ 3,395,926
Contribution deficiency (excess)	\$ 252,589
Covered employee payroll	\$ 25,221,804
Contributions as a percentage of covered employee payroll	13.46%

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

	2015
College's proportion of the collective SERS net pension liability:	
As a percentage	0.55248%
Amount	\$ 27,960,496
College's covered-employee payroll	\$ 16,003,028
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	174.72%
SERS fiduciary net position as a percentage of the total pension liability	71.70%

### Schedule of College's Contributions - SERS

	2015
Statutorily required contribution	\$ 2,247,542
Contributions in relation to the actuarially determined contractually required contribution	\$ 2,242,817
Contribution deficiency (excess)	\$ 4,725
Covered employee payroll	\$ 16,003,028
Contributions as a percentage of covered employee payroll	14.01%

# **Cincinnati State Technical and Community College**

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## **Required Supplementary Information**

### **Notes to Required Supplementary Information for the Year Ended June 30, 2015**

**Changes of Benefit Terms** - There were no changes in benefit terms affecting the STRS and SERS plans for the plan year ended June 30, 2014.

**Changes of Assumptions** - There were no changes in assumptions or plan amendments affecting the STRS and SERS plans for the plan year ended June 30, 2014.

## **Supplemental Information**

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

Independent Auditor's Report

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

We have audited, in accordance with 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 Cincinnati State Technical and Community College (the "College") and its discretely presented component unit as of and for the year ended June 30, 2015, and related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 11, 2015.

**Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

### **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.

*Plante & Moran, PLLC*

November 11, 2015

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

Independent Auditor's Report

To the Board of Trustees  
Cincinnati State Technical and Community College

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

We have audited Cincinnati State Technical and Community College's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Cincinnati State Technical and Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cincinnati State Technical and Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of Trustees  
Cincinnati State Technical and Community College

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

In our opinion, Cincinnati State Technical and Community 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, 2015.

**Report on Internal Control Over Compliance**

Management of Cincinnati State Technical and Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cincinnati State Technical and Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Plante & Morse, PLLC*

November 11, 2015

# Cincinnati State Technical and Community College

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Federal Grant/Program Title	Federal CFDA	Pass-Through Identifying Number	Federal Expenditures
<b>CLUSTERS:</b>			
<b>STUDENT FINANCIAL AID CLUSTER</b>			
<b>Department of Education</b>			
Federal Supplemental Educational Opportunity	84.007		\$ 666,513
Federal Work-Study Program	84.033		348,313
Federal Pell Grant Program	84.063		13,424,282
Federal Direct Student Loans	84.268		<u>27,489,692</u>
Total Student Financial Aid Cluster			41,928,800
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>			
<b>National Science Foundation</b>			
Passed through the University of Central Florida			
University of Central Florida NSF	47.076	DUE-1400561	<u>78,044</u>
Total Research and Development Cluster			78,044
<b>TRIO CLUSTER</b>			
TRIO Student Support Services	84.042A		244,501
TRIO Upward Bound Traditional	84.047A		255,797
TRIO Educational Opportunity Centers	84.066		186,405
TRIO Upward Bound Veterans	84.047V		<u>190,789</u>
Total TRIO Cluster			877,492
<b>TANF CLUSTER</b>			
<b>Department of Health and Human Services</b>			
Passed through Hamilton County Jobs and Family Services			
TANF Connect the Dots	93.558		<u>42,349</u>
Total TANF Cluster			42,349
<b>OTHER PROGRAMS:</b>			
<b>DEPARTMENT OF LABOR</b>			
Trade Adjustment Assistance Community College and Career Training Grants Program			
	17.282		4,836,369
<b>DEPARTMENT OF AGRICULTURE</b>			
Ohio USDA Child Nutrition Program			
	10.558		29,932
<b>DEPARTMENT OF TRANSPORTATION</b>			
Airport Improvement Program			
	20.106		35,865
<b>DEPARTMENT OF EDUCATION</b>			
Career and Technical Education - Basic Grants to States			
	84.048		228,338
Passed through University of Cincinnati -			
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)			
	84.334A	P000-030-J617	<u>877</u>
Total Department of Education			229,215
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through the Chafee Education and Training Vouchers Program (ETV)			
Education Training Voucher Program Foster Care			
	93.599	G-89-06-1215	11,871
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Passed through the Greater Cincinnati Workforce Network Social Innovation Fund			
HCCGCWN			
	94.019	G-1415-15-0301	<u>10,377</u>
Total Federal Awards			<u><u>\$ 48,080,314</u></u>

See Notes to Schedule of Expenditures  
of Federal Awards.

# Cincinnati State Technical and Community College

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Cincinnati State Technical and Community College under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Cincinnati State Technical and Community College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cincinnati State Technical and Community College.

### Note 2 - Summary of Significant Accounting Policies

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

### Note 3 - Loans Outstanding

The institution had the following loan balances outstanding at June 30, 2015. These loan balances are included in the federal expenditures presented in the Schedule.

<u>Cluster/Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Direct Unsubsidized Loans	84.268	\$ 15,792,221
Direct Subsidized Loans	84.268	11,554,514
PLUS Loans	84.268	<u>142,957</u>
	Total	<u>\$ 27,489,692</u>

# Cincinnati State Technical and Community College

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

### Note 4 - Subrecipient Awards

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	\$ 1,938,125

# Cincinnati State Technical and Community College

## Schedule of Findings and Questioned Costs Year Ended June 30, 2015

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes  X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes  X  No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes  X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

\_\_\_\_\_ Yes  X  No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268 17.282	Student Financial Aid Cluster Trade Adjustment Assistance Community College and Career Training Grants Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes  X  No

# **Cincinnati State Technical and Community College**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None

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# Dave Yost • Auditor of State

**CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 29, 2015**