

**TERRA STATE COMMUNITY COLLEGE
SANDUSKY COUNTY**



**TERRA
STATE
COMMUNITY
COLLEGE**

SINGLE AUDIT

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the Terra State Community College, Sandusky County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2021 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

January 23, 2023

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**TERRA STATE COMMUNITY COLLEGE
SANDUSKY COUNTY
FOR THE YEAR ENDED JUNE 30, 2022**

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**Terra State Community College
Sandusky County
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Assistance Listing Number	Federal Expenditures
United States Department of Education			
<i>Direct from the Federal Agency</i>			
<i>Student Financial Assistance Cluster:</i>			
Federal Pell Grant Program	N/A	84.063	\$ 1,920,708
Federal Supplemental Educational Opportunity Grants	N/A	84.007	82,683
Federal Work Study Program	N/A	84.033	30,980
Federal Direct Student Loans	N/A	84.268	2,450,139
<i>Total Student Financial Assistance Cluster</i>			<u>4,484,510</u>
COVID-19 Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	N/A	84.425E	1,157,156
COVID-19 Higher Education Emergency Relief Fund (HEERF) Institutional Portion	N/A	84.425F	2,316,882
COVID-19 Strengthening Institutions Program	N/A	84.425M	22,713
COVID-19 Governor's Emergency Education Relief Fund	N/A	84.425C	205,939
<i>Total Education Stabilization Fund</i>			<u>3,702,690</u>
<i>Passed through the Ohio Department of Education</i>			
Career and Technical Education - Basic Grants to States	VEC PII-P2018-509	84.048	72,665
Equity for Each: Advanced Approaches for Improving Equity in Career Technical Education Programs	N/A	84.048	2,971
<i>Total Career and Technical Education - Basic Grants to State</i>			<u>75,636</u>
Total United States Department of Education			<u>8,262,836</u>
United States Small Business Administration			
<i>Passed through the Ohio Department of Development</i>			
Small Business Development Centers	56080	59.037	73,727
COVID-19 Small Business Development Centers	56080 - CARES	59.037	42,450
<i>Total Small Business Development Centers</i>			<u>116,177</u>
Total United States Small Business Administration			<u>116,177</u>
United States Department of the Treasury			
<i>Passed through the Sandusky County Commissioners</i>			
COVID-19 Coronavirus Relief Fund	N/A	21.019	54,599
<i>Passed through the Ohio College Initiative at Prevention Action Alliance</i>			
COVID-19 Coronavirus Relief Fund	N/A	21.019	13,866
<i>Total Coronavirus Relief Fund</i>			<u>68,465</u>
Total United States Department of the Treasury			<u>68,465</u>
Total Expenditures of Federal Awards			<u><u>\$ 8,447,478</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

Terra State Community College

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

Note 1 - Significant Accounting Policies

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

Note 2 – Federal Direct Student Loan Program

The College is a direct lender for the Federal Direct Student Loan program. The following represents direct loans originated and disbursed during fiscal year 2022:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount</u>
84.268	Federal Subsidized Loans	\$ 1,148,043
84.268	Federal Unsubsidized Loans	1,260,197
84.268	Federal PLUS Loans	41,899
	Total Federal Direct Student Loans	<u>\$ 2,450,139</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Terra State Community College (the College), a component unit of the State of Ohio, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 17, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 17, 2022

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Terra State Community College's (the College) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2022. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

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

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

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

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of the College, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 17, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures to the audited financial statements subsequent to October 17, 2022. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
January 20, 2023

**TERRA STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022**

Section I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

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

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

Auditee qualified as low-risk auditee? Yes

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

None

Section III – Federal Award Findings and Questioned Costs

Finding 2022-001

Federal Program Information:	COVID 19 HEERF Institutional Portion ALN 84.425F
Criteria:	2 CFR 200.329 and the terms and conditions of the federal award requires the entity to submit reports quarterly.
Condition:	The total expenditures on each quarterly report was not correct.
Questioned Costs:	None
Context:	The testing of the quarterly reports showed that incorrect amounts were reported for expenditures on each quarterly report. In total the amounts reported for the four quarters was correct for the audit period.
Cause/Effect:	As part of the College's normal practices, the College posts a reallocation of certain expenditures. The College did not take this into account when preparing the individual quarterly reports.
Repeat Finding from Prior Audit?:	Yes, fiscal 2022 had already ended before the College received the prior year audit results.
Recommendation:	We recommend review of current practices and implement policies establishing monitoring procedures related to quarterly reports.
Management Response:	The College agrees with the finding and is implementing appropriate procedures.

TERRA STATE COMMUNITY COLLEGE
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2022

Finding 2021-001:

Education Stabilization Fund (HEERF), ALN 84.425F

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

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

Current Status: Not corrected. See similar finding as Finding 2022-001.

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

**CORRECTIVE ACTION PLAN
2 CFR 200.511(c)
Year Ended June 30, 2022**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2022-001	The College posted expense reallocations that changed amounts reported on quarterly grant reports. The College will revise procedures to ensure amounts reported on quarterly reports are correct.	FY2023	Jacque Foos

**TERRA STATE COMMUNITY COLLEGE
SANDUSKY COUNTY**



**TERRA
STATE
COMMUNITY
COLLEGE**

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

PLATTENBURG
Certified Public Accountants

**TERRA STATE COMMUNITY COLLEGE
SANDUSKY COUNTY
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Terra State Community College (the College), a component unit of the State of Ohio, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2022, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 17, 2022

TERRA STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022 and 2021
(UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Terra State Community College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2022 with selected comparative information for the years ending June 30, 2021 and 2020. Responsibility for the completeness and fairness of this information rests with the College and should be read in conjunction with the accompanying financial statements and notes.

Using the Annual Report

The following activities are included in the financial statements:

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

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

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

Financial Highlights

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

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

TERRA STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022 and 2021
(UNAUDITED)

Condensed Financial Information
Statement of Net Position
(in thousands)

	2022	2021	2020
Assets			
Current assets	\$7,150	\$7,138	\$5,922
Capital assets, net	28,092	28,667	29,549
Other noncurrent assets	949	956	954
Total assets	<u>\$36,191</u>	<u>\$36,761</u>	<u>\$36,425</u>
Deferred outflows of resources	3,180	3,468	2,781
Total assets & defer outflows	<u>\$39,371</u>	<u>\$40,229</u>	<u>\$39,206</u>
Liabilities			
Current liabilities	4,592	4,166	3,178
Noncurrent liabilities	14,449	22,834	21,709
Total liabilities	<u>19,041</u>	<u>27,000</u>	<u>24,887</u>
Deferred inflows of resources	9,051	3,330	4,464
Total liabilities & defer inflows	<u>28,092</u>	<u>30,330</u>	<u>29,351</u>
Net position			
Net investment in capital assets	23,220	23,644	24,380
Restricted			
Expendable	177	451	338
Unrestricted	(12,118)	(14,196)	(14,863)
Total net position	<u>11,279</u>	<u>9,899</u>	<u>9,855</u>

Assets: As of June 30, 2022, the College's total assets and deferred outflows of resources amounted to approximately \$39 million. Capital assets, net of depreciation, represented the College's largest asset, totaling \$28 million or 71 percent of total assets and deferred outflows of resources. Account and Loan Receivables, totaling \$6.6 million or 16.0 percent of total assets and deferred outflows of resources, were the College's next largest asset. Cash and investments increased by approximately \$743 thousand in 2022.

As of June 30, 2021, the College's total assets and deferred outflows of resources amounted to approximately \$40 million. Capital assets, net of depreciation, represented the College's largest asset, totaling \$28.7 million or 71 percent of total assets and deferred outflows of resources. Account and Loan Receivables, totaling \$6.7 million or 17.0 percent of total assets and deferred outflows of resources, were the College's next largest asset. Cash and investments decreased by approximately \$579 thousand in 2021, this was due he timing of drawing down a large grant amount the first week of July in the amount of \$572 thousand.

TERRA STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022 and 2021
(UNAUDITED)

Liabilities: At June 30, 2022 the College's liabilities and deferred inflows of resources totaled approximately \$28 million. Net pension liabilities represented approximately \$9.4 million, or 33 percent, of total liabilities and deferred inflows of resources. Total liabilities and deferred inflows of resources decreased \$2.2 million thousand during the year ended June 30, 2022. This was primarily attributed to a decrease in Net Pension Liabilities of \$8.2 million and an increase in Deferred inflows of resources of \$5.7 million.

At June 30, 2021 the College's liabilities and deferred inflows of resources totaled approximately \$30 million. Net pension liabilities represented approximately \$17.6 million, or 58 percent, of total liabilities and deferred inflows of resources. Total liabilities and deferred inflows of resources increased \$979 thousand during the year ended June 30, 2021. This was primarily a result of increased accounts payable and accrued liabilities.

Net Position: Net position at June 30, 2022 totaled approximately \$11.3 million or 28 percent of total assets and deferred outflows of resources. Net investment in capital assets totaled \$23.0 million or 205 percent, of total net position. Restricted and unrestricted net position represented 1 percent and (107) percent of total net position, respectively. Total net position increased by \$1.4 million during the year ended June 30, 2022.

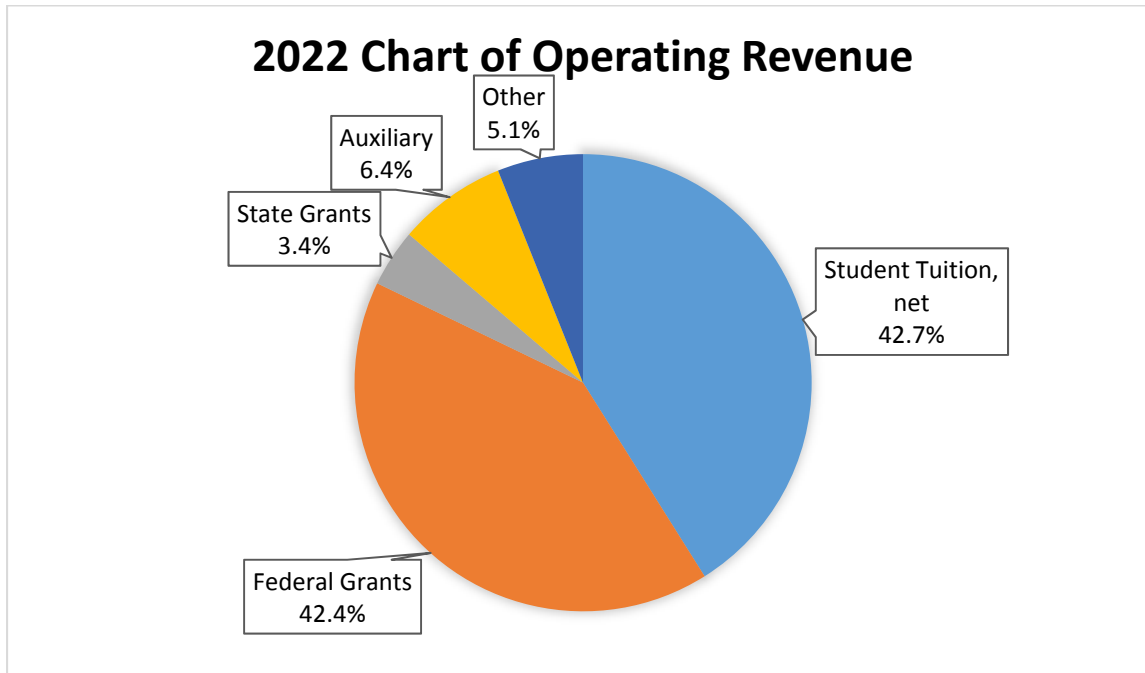
Net position at June 30, 2021 totaled approximately \$9.9 million or 25 percent of total assets and deferred outflows of resources. Net investment in capital assets totaled \$23.6 million or 239 percent, of total net position. Restricted and unrestricted net position represented 5 percent and (143) percent of total net position, respectively. Total net position increased by \$44 thousand during the year ended June 30, 2021.

TERRA STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022 and 2021
(UNAUDITED)

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

	2022	2021	2020
Operating revenue			
Tuition and fees	\$ 3,419	\$ 3,200	\$ 4,048
Government grants	3,662	2,819	1,030
Auxiliary services	515	287	352
Other operating revenue	406	124	139
Total operating revenue	8,002	6,430	5,569
Operating expenses			
Educational and general	15,507	13,968	13,025
Auxiliary expenses	531	422	414
Depreciation	1,467	1,432	1,451
Total Operating expenses	17,505	15,822	14,890
Operating loss	(9,503)	(9,392)	(9,321)
Non-operating revenue (expenses)			
State appropriations	5,944	6,177	5,967
Federal grants	4,576	3,145	3,200
Gifts and grants	158	60	89
Investment income	(5)	3	16
Other non-operating	(229)	(222)	(1,076)
Total non-operating revenue	10,444	9,163	8,196
Capital appropriations	439	273	2,433
Change in net position during year	\$ 1,380	\$ 44	\$ 1,308

TERRA STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022 and 2021
(UNAUDITED)

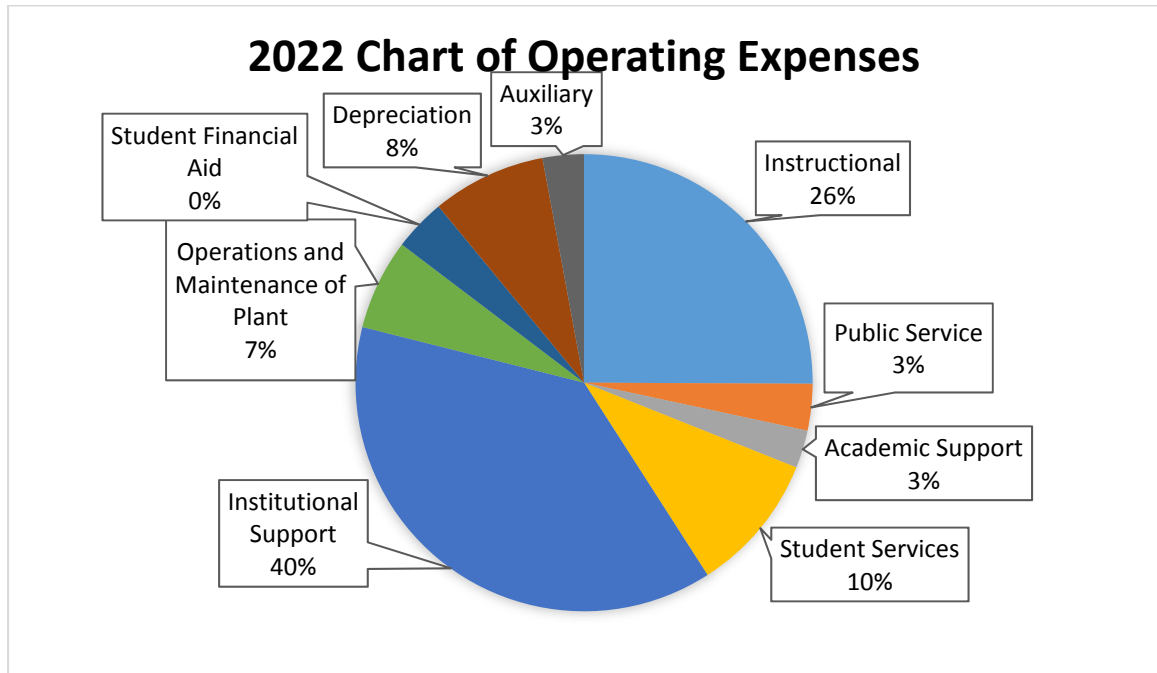


Total operating revenues were \$8 million for the year ended June 30, 2022 and \$6.4 million for 2021. The most significant sources of operating revenue for the College are net student tuition and fees (42.7 percent for 2022 and 49.7 percent for 2021), auxiliary enterprise revenue (6.4 percent for 2022 and 4.5 percent for 2021), and federal grants and contracts (42.4 percent for 2022 and 36.1 percent for 2021).

Gross Tuition and fees continued to be the largest source of operating revenues for the College. Gross tuition revenue increased 6.8% for 2022 and decreased 21% for 2021 primarily due to increases in tuition discounts. The College's full time equivalent (FTE) students for fiscal year 2022 were 1,081 while in fiscal year 2021 the total was 1,172 and for fiscal year 2020 the total was 1,252. Over the past five years, the annual FTE average has been approximately 1,182. Auxiliary enterprises revenue from the College bookstore increased 79.2% from 2021 due to the commission guarantee no longer being active. In 2022 state grant revenue decreased slightly from the previous year and approximately 3.1% of operating revenues.

State appropriations, which is considered non-operating revenue as defined by GASB 35, is a significant recurring source of revenue essential to the operation of the College. The College's state appropriation for the year ended June 30, 2022, amounted to \$5.9 million. This represents a decrease of \$234 thousand or 3.8% from the College's appropriation for the prior year. In 2021, the appropriation increased \$210 thousand or 3.5% from the College's appropriation for the prior year.

TERRA STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022 and 2021
(UNAUDITED)



Operating expenses, including \$1.47 million of depreciation, totaled approximately \$17.5 million as compared to \$15.8 million in 2021 and \$15 million in 2020. The majority of the College's operating funds prior to GASB 68 and 75 adjustments are expended directly for the primary mission of the College - instruction (26 percent), institutional support (40 percent) and student services (10 percent). This combined 76 percent compares with 75 percent in 2021 and 69 percent in 2020.

Total operating expenses increased 10.6% from 2021 with institutional expenses increasing \$1.6 million due to the net of fewer positions being redistributed to HERRF funding and to a change in assumptions for the GASB 68 and GASB 75. Other operating expenses decreased due to a change in assumptions for the GASB 68 and GASB 75. Gross student financial aid decreased by \$66 thousand.

For the year ended June 30, 2022, student financial aid related to tuition and fees totaled \$3.4 million, including scholarship allowance of \$3.4 million and student aid expense of 0. In 2021 gross student financial aid decreased by 12% from the prior year. For the year ended 2021 student financial aid was \$3.2 million as compared to \$3.2 million in 2020.

TERRA STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022 and 2021
(UNAUDITED)

Statement of Cash Flows
(in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net cash provided (used) by:			
Operating activities	\$ (9,242)	\$ (9,363)	\$ (9,324)
Noncapital financing activities	10,783	9,333	9,256
Capital and related financing activities	(774)	(553)	(323)
Investing activities	<u>(18)</u>	<u>247</u>	<u>2</u>
Net increase/(decrease) in cash	749	(336)	(389)
Cash-beginning of year	<u>-</u>	<u>336</u>	<u>725</u>
Cash-end of year	<u>\$ 749</u>	<u>\$ -</u>	<u>\$ 336</u>

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

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

Major sources of funds included in operating activities are student tuition and fees (\$3.7 million) and Auxiliary charges (\$515 thousand). The largest cash payments for operating activities were to employees, for wages and benefits, (\$12.4 million) and to suppliers (\$4 million).

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

Capital Assets

Capital assets, net of accumulated depreciation, totaled approximately \$28.1 million at June 30, 2022, a net decrease of \$575 thousand over the prior year-end. Additions to capital assets during the year totaled \$892 thousand as a result of upgrades to equipment. For more information on capital assets, see Note 4.

TERRA STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022 and 2021
(UNAUDITED)

Long-Term Debt

Long-term debt totaled approximately \$4.8 million at June 30, 2022, a decrease of \$150 thousand over the prior year-end. For more information on long-term debt, see Note 7.

Factors impacting future periods

The economic position of Terra State Community College is closely tied to that of the State. State Share of Instruction funding for fiscal year 2023 is projected at \$6.1 million which is approximately 3% higher than the funding received in fiscal year 2022.

Hourly tuition rates will increase \$5 per credit hour for the goal-oriented tuition program effective spring 2015 which increased tuition for lower credit hours and developed a flat rate between 12 and 18 semester hours. Known expense increases for fiscal year 2022 include a 2.25% salary increase for union staff and a 2.75% salary increase for the faculty union. Non-Union staff will be contingent on fall numbers. Employee health insurance plans will continue with a fully funded consortium plan which was effective on October 1, 2016, with plan premiums increasing 3.9%.

The College experienced a 10% decrease in full-time equivalent students from 1,172 FTE in 2021 to 1,081 in 2022. Enrollment for summer term is flat from last while fall is reflecting a increase of 4.5% from the prior year.

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

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**TERRA STATE COMMUNITY COLLEGE
SANDUSKY COUNTY, OHIO
STATEMENTS OF NET POSITION
As of June 30, 2022 and 2021**

	2022		2021	
	Terra State Community College	Component Unit Terra College Foundation	Terra State Community College	Component Unit Terra College Foundation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 749,447	\$ 628,540	\$ -	\$ 608,531
Short-term investments	262,140	0	235,014	0
Intergovernmental receivable	45,415	0	979,100	0
Due from State of Ohio	28,504	0	46,401	0
Loans receivable, net	76,666	0	76,666	0
Other receivables	5,803,908	260,690	5,629,071	274,290
Inventory	7,968	0	8,577	0
Other current assets	175,675	0	163,447	0
Total current assets	7,149,723	889,230	7,138,276	882,821
Noncurrent assets				
Investments	300,892	5,382,505	334,212	6,188,785
Net OPEB Asset	647,796	0	622,020	0
Other noncurrent assets	0	44,170	0	47,006
Capital assets, gross	62,085,326	0	61,193,115	0
Accumulated depreciation	(33,993,391)	0	(32,526,464)	0
Capital assets, net	28,091,935	0	28,666,651	0
Total noncurrent assets	29,040,623	5,426,675	29,622,883	6,235,791
Total assets	36,190,346	6,315,905	36,761,159	7,118,612
DEFERRED OUTFLOWS OF RESOURCES				
Other postemployment benefits	464,653	0	618,294	0
Pension	2,715,747	0	2,849,660	0
Total deferred outflows of resources	3,180,400	0	3,467,954	0
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	2,039,729	271,086	1,616,885	69,211
Unearned revenue	2,355,708	0	2,386,217	0
Long-term debt, current	155,000	0	150,000	0
Compensated absences, current	41,791	0	13,370	0
Total current liabilities	4,592,228	271,086	4,166,472	69,211
Noncurrent liabilities				
Long-term debt, noncurrent	4,675,000	0	4,830,000	0
Unearned revenue	100	0	2,106	0
Compensated absences, noncurrent	326,558	0	369,628	0
Net other postemployment benefits liability	1,898,825	0	2,222,614	0
Net pension liability	7,548,099	0	15,409,380	0
Total noncurrent liabilities	14,448,582	0	22,833,728	0
Total liabilities	19,040,810	271,086	27,000,200	69,211
DEFERRED INFLOWS OF RESOURCES				
Other postemployment benefits	2,447,620	0	2,505,689	0
Pension	6,603,362	0	823,798	0
Total deferred inflows of resources	9,050,982	0	3,329,487	0
NET POSITION				
Net investment in capital assets	23,220,101	0	23,643,692	0
Restricted for				
Nonexpendable				
Scholarship and fellowships	0	2,976,459	0	2,909,472
Expendable				
Scholarships and Grants	0	2,273,032	0	2,528,712
Loans	0	127,245	0	127,245
Other	113,198	579,181	387,433	887,308
Capital projects	64,029	250,939	64,029	233,154
Unrestricted	(12,118,374)	(162,037)	(14,195,728)	363,510
Total net position	\$ 11,278,954	\$ 6,044,819	\$ 9,899,426	\$ 7,049,401

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

**TERRA STATE COMMUNITY COLLEGE
SANDUSKY COUNTY, OHIO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Years Ended June 30, 2022 and 2021**

	2022		2021	
	Terra State Community College	Component Unit Terra College Foundation	Terra State Community College	Component Unit Terra College Foundation
REVENUES				
Operating revenues				
Tuition and fees (net of scholarship allowances of \$3,371,238 in 2022 and \$3,112,330 in 2021)	\$ 3,418,795	\$ 0	\$ 3,199,735	\$ 0
Federal grants and contracts	3,389,388	0	2,534,225	0
State grants and contracts	272,223	0	284,899	0
Contributions and fund raising	0	550,946	0	496,174
Auxiliary enterprises	515,160	0	287,519	0
Other operating revenues	406,442	0	123,747	0
Total operating revenues	<u>8,002,008</u>	<u>550,946</u>	<u>6,430,125</u>	<u>496,174</u>
OPERATING EXPENSES				
Educational and general				
Instructional	4,557,269	89,045	4,830,747	11,588
Public service	598,613	0	434,714	0
Academic support	486,765	0	461,876	0
Student services	1,793,845	0	1,771,779	0
Institutional support	6,906,532	577,994	5,273,573	396,952
Operation and maintenance of plant	1,164,508	0	1,129,504	0
Student financial aid	0	96,338	66,227	34,617
Other operating expenses	0	8,400	0	62,609
Depreciation expense	1,466,927	0	1,431,781	0
Auxiliary enterprises	530,780	0	421,728	0
Total operating expenses	<u>17,505,239</u>	<u>771,777</u>	<u>15,821,929</u>	<u>505,766</u>
Operating income (loss)	(9,503,231)	(220,831)	(9,391,804)	(9,592)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	5,943,503	0	6,177,061	0
Federal grants	4,575,481	0	3,144,938	0
Gifts and grants	158,491	0	60,000	0
Investment income/(loss)	(4,796)	(783,751)	3,312	1,371,119
Interest on debt	(229,338)	0	(172,925)	0
Other non-operating expenses	0	0	(49,444)	0
Net nonoperating revenues (expenses)	<u>10,443,341</u>	<u>(783,751)</u>	<u>9,162,942</u>	<u>1,371,119</u>
Income before other revenues, expenses, gains and losses	940,110	(1,004,582)	(228,862)	1,361,527
Capital appropriations	<u>439,418</u>	<u>0</u>	<u>273,240</u>	<u>0</u>
Increase (decrease) in net position	1,379,528	(1,004,582)	44,378	1,361,527
NET POSITION				
Beginning of year - restated	<u>9,899,426</u>	<u>7,049,401</u>	<u>9,855,048</u>	<u>5,687,874</u>
Ending net position	<u>\$ 11,278,954</u>	<u>\$ 6,044,819</u>	<u>\$ 9,899,426</u>	<u>\$ 7,049,401</u>

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

TERRA STATE COMMUNITY COLLEGE
SANDUSKY COUNTY, OHIO
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended June 30, 2022 and 2021

	2022		2021	
	Terra State	Component Unit	Terra State	Component Unit
	Community College	Terra College Foundation	Community College	Terra College Foundation
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$ 3,677,701	\$ 0	\$ 3,326,246	\$ 0
Grants and contracts	2,580,072	0	1,074,373	0
Other income	406,442	0	123,746	0
Auxiliary enterprise receipts	515,160	0	287,519	0
Payments to suppliers	(4,039,026)	(183,240)	(4,531,920)	(256,210)
Payroll and fringe benefits	(12,382,728)	0	(9,576,509)	0
Scholarships and fellowships	0	(96,439)	(66,227)	(34,617)
Contributions	0	289,974	0	294,995
Agency	0	0	0	0
Purchase of equipment for Terra State Community College	0	(79,799)	0	(11,588)
Net cash provided (used) by operating activities	(9,242,379)	(69,504)	(9,362,772)	(7,420)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from contributions restricted for long-term purposes	0	66,986	0	40,166
State appropriations	5,943,503	0	6,177,061	0
Grants and contracts other than capital	4,839,537	0	3,155,494	0
Net cash provided by noncapital financing activities	10,783,040	66,986	9,332,555	40,166
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Purchases of capital assets	(892,210)	0	(549,499)	0
State appropriations capital	439,418	0	273,240	0
Principal paid on capital debt	(150,000)	0	(146,088)	0
Interest paid on capital debt	(170,712)	0	(129,966)	0
Net cash provided (used) by capital financing activities	(773,504)	0	(552,313)	0
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in short-term investments	(33,320)	0	171,619	0
Purchase of investments	(64,280)	(1,999,754)	(270,792)	(1,365,662)
Proceeds from sale and maturities of investments	75,000	2,015,785	327,230	1,850,688
Income on investments	4,890	6,496	18,854	6,381
Net cash provided (used) by investing activities	(17,710)	22,527	246,911	491,407
NET CHANGE IN CASH	749,447	20,009	(335,619)	524,153
Cash and cash equivalents - beginning of year	0	608,531	335,619	84,378
Cash and cash equivalents - end of year	<u>\$ 749,447</u>	<u>\$ 628,540</u>	<u>\$ 0</u>	<u>\$ 608,531</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (9,503,231)	\$ (220,831)	\$ (9,391,806)	\$ (9,592)
Adjustments to reconcile net operating income (loss)				
to net cash used by operating activities:				
Depreciation expense	1,466,927	0	1,431,782	0
Other adjustments	0	2,836	0	0
Change in assets and liabilities:				
Receivables	632,786	13,600	(1,744,751)	28,425
Inventories	609	0	(465)	0
Other assets	(12,228)	0	(52,768)	21,674
Deferred outflows of resources	287,554	0	(686,876)	0
Accounts payable	54,846	201,877	819,464	(7,761)
Accrued salaries and benefits	352,224	0	84,959	0
Deferred inflows of resources	5,721,495	0	(1,133,814)	0
Net OPEB liability	(349,565)	0	(454,370)	0
Net Pension liability	(7,861,281)	0	1,639,362	0
Unearned revenue	(32,515)	0	126,511	0
Contributions restricted for long-term purposes	0	(66,986)	0	(40,166)
Net cash provided (used) by operating activities	<u>\$ (9,242,379)</u>	<u>\$ (69,504)</u>	<u>\$ (9,362,772)</u>	<u>\$ (7,420)</u>

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

Note 1 – Summary of Significant Accounting Policies

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

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

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

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

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

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

Restricted net position – nonexpendable. Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2022, the College had no nonexpendable restricted assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 2 – Deposits and Investments

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

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

Deposits: Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of bank failure, the College will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2022 and 2021, the carrying amounts of the College's deposits in all funds were \$748,497 and \$0 (which consists of cash and cash equivalents, excluding cash on hand of \$950 and \$950) and the bank balance were \$931,140 and \$437,206 respectively. The difference between carrying

amount and bank balance was primarily due to outstanding checks at June 30, 2022 and 2021. Of the bank balances at June 30, 2022 and 2021, \$250,000 and \$250,000 was covered by federal depository insurance.

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

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

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

The College's fair value and distribution of investments as of June 30, 2022 are as follows:

Investment Type	Fair Value/NAV	< 1 Year	1-5 Years	Fair Value Hierarchy
Negotiable Certificates of Deposit	\$300,892	\$0	\$300,892	Level 2
Money Market	251,382	251,382	0	N/A
StarOhio	10,758	10,758	0	Level 2
Total	\$563,032	\$262,140	\$300,892	

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Inputs to the valuation techniques used in fair the measurement for Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are significant unobservable inputs. The above table identifies the College's recurring fair value measurements as of year end. STAR Ohio is reported at its share price (Net Asset value per share).

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

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

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As of June 30, 2022 the College has the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings		
		AAA	AAAm	N/A
Negotiable Certificates of Deposit	\$300,892	\$0	\$0	\$300,892
Money Market	251,382	251,382	0	0
StarOhio	10,758	0	10,758	0
Total	<u>\$563,032</u>	<u>\$251,382</u>	<u>\$10,758</u>	<u>\$300,892</u>

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy places no limit on the amount the College may invest in a single issuer. At June 30, 2022, the College's investments were in Negotiable Certificates of Deposits (53.44%), Money Market accounts (44.65%), and Star Ohio (1.91%).

Note 3 – Accounts Receivable

Receivables at June 30, 2022 and 2021 consisted of accounts (tuition and other fees), notes, interest and intergovernmental grants. All receivables, except for doubtful accounts receivables in collection with the Ohio Attorney General, are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

Note 4 – Capital Assets

Capital assets at June 30, 2022 and 2021 are summarized as follows:

	2022			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not depreciated:				
Land	\$534,747	\$0	\$0	\$534,747
Construction in progress	0	11,875	0	11,875
Total capital assets not depreciated	<u>534,747</u>	<u>11,875</u>	<u>0</u>	<u>546,622</u>
Capital assets being depreciated:				
Buildings	41,071,123	70,065	0	41,141,188
Improvements	8,093,704	486,393	0	8,580,097
Equipment, furniture and books	11,493,542	323,877	0	11,817,419
Total capital assets depreciated	<u>60,658,369</u>	<u>880,335</u>	<u>0</u>	<u>61,538,704</u>
Total capital assets	61,193,116	892,210	0	62,085,326
Accumulated depreciation:				
Buildings	(18,424,850)	(721,454)	0	(19,146,304)
Improvements	(3,857,478)	(351,494)	0	(4,208,972)
Equipment, furniture and books	(10,244,136)	(393,979)	0	(10,638,115)
Total accumulated depreciation	<u>(32,526,464)</u>	<u>(1,466,927)</u>	<u>0</u>	<u>(33,993,391)</u>
Capital assets, net	<u>\$28,666,652</u>	<u>(\$574,717)</u>	<u>\$0</u>	<u>\$28,091,935</u>

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	2021			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not depreciated:				
Land	\$534,747	\$0	\$0	\$534,747
Construction in progress	0	94,840	(94,840)	0
Total capital assets not depreciated	534,747	94,840	(94,840)	534,747
Capital assets being depreciated:				
Buildings	41,065,607	5,516	0	41,071,123
Improvements	7,883,787	209,917	0	8,093,704
Equipment, furniture and books	11,159,475	334,067	0	11,493,542
Total capital assets depreciated	60,108,869	549,500	0	60,658,369
Total capital assets	60,643,616	644,340	(94,840)	61,193,116
Accumulated depreciation:				
Buildings	(17,703,659)	(721,191)	0	(18,424,850)
Improvements	(3,541,999)	(315,479)	0	(3,857,478)
Equipment, furniture and books	(9,849,024)	(395,112)	0	(10,244,136)
Total accumulated depreciation	(31,094,682)	(1,431,782)	0	(32,526,464)
Capital assets, net	\$29,548,934	(\$787,442)	(\$94,840)	\$28,666,652

Note 5 – State Support

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

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

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

In 2022 the College received \$439,418 in capital project appropriations.

Note 6 – Accrued Liabilities

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

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

Note 7 – Long-Term Liabilities

Long-Term Debt

Long-term debt activities for the years ended June 30, 2022 and 2021 are summarized as follows:

	2022				
	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond Issues	\$4,980,000	\$0	(\$150,000)	\$4,830,000	\$155,000
Total Long-Term Debt	4,980,000	0	(150,000)	4,830,000	155,000

	2021				
	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond Issues	\$5,125,000	\$0	(\$145,000)	\$4,980,000	\$150,000
Total Long-Term Debt	5,125,000	0	(145,000)	4,980,000	150,000

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

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

Year End	Principal	Interest	Total
2022	\$155,000	\$165,013	\$320,013
2023	155,000	160,363	315,363
2024	160,000	155,638	315,638
2025	165,000	150,763	315,763
2026	170,000	145,737	315,737
2027-2031	945,000	644,689	1,589,689
2032-2036	1,120,000	473,166	1,593,166
2037-2041	1,350,000	244,680	1,594,680
2042-2044	610,000	23,062	633,062
Total	<u>\$4,830,000</u>	<u>\$2,163,111</u>	<u>\$6,993,111</u>

Other Long-Term Obligations

Other long-term obligations at June 30, 2022 and 2021 are summarized as follows:

	2022				
	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated Absences	\$382,998	\$11,221	(\$25,870)	\$368,349	\$41,791
Net Pension Liability	15,409,380	0	(7,861,281)	7,548,099	0
Net OPEB Liability	2,222,614	0	(323,790)	1,898,824	0
Total Long-Term Debt	<u>\$18,014,992</u>	<u>\$11,221</u>	<u>(\$8,210,941)</u>	<u>\$9,815,272</u>	<u>\$41,791</u>

	2021				
	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated Absences	\$298,039	\$102,951	(\$17,992)	\$382,998	\$13,370
Net Pension Liability	13,770,018	1,639,362	0	15,409,380	0
Net OPEB Liability	2,676,984	0	(454,370)	2,222,614	0
Total Long-Term Debt	<u>\$16,745,041</u>	<u>\$1,742,313</u>	<u>(\$472,362)</u>	<u>\$18,014,992</u>	<u>\$13,370</u>

Note 8 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.50% and with a floor of 0.00%. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.50% COLA for calendar year 2021 and 2.50% for 2022.

Funding Policy

Plan members are required to contribute 10.00% of their annual covered salary and the College is required to contribute 14.00% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10.00% for plan members and 14.00% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The College's contractually required contribution to SERS was \$474,917 for fiscal year 2022 and \$453,120 for fiscal year 2021.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0.00% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The DC Plan allows members to place all their member contributions and 9.53% of the 14.00% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47% of the 14.00% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12.00% of the 14.00% member rate is deposited into the member's DC account and the remaining 2.00% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

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

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

Funding Policy

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14.00% was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The College's contractually required contribution to STRS was \$592,029 for fiscal year 2022 and \$559,482 for fiscal year 2021.

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

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,619,724	\$3,928,375	\$7,548,099
Proportion of the Net Pension Liability:			
Current Measurement Date	0.09810320%	0.03072428%	
Prior Measurement Date	<u>0.10349970%</u>	<u>0.03539236%</u>	
Change in Proportionate Share	-0.00539650%	-0.00466808%	
Pension Expense	(\$507,203)	(\$373,655)	(\$880,858)

At June 30 2022, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$349	\$121,368	\$121,717
Changes of assumptions	76,221	1,089,802	1,166,023
Changes in employer proportionate share of net pension liability	0	361,061	361,061
Contributions subsequent to the measurement date	<u>474,917</u>	<u>592,029</u>	<u>1,066,946</u>
Total Deferred Outflows of Resources	<u>\$551,487</u>	<u>\$2,164,260</u>	<u>\$2,715,747</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$93,874	\$24,623	\$118,497
Net difference between projected and actual earnings on pension plan investments	1,864,263	3,385,508	5,249,771
Changes in employer proportionate share of net pension liability	<u>264,532</u>	<u>970,562</u>	<u>1,235,094</u>
Total Deferred Inflows of Resources	<u>\$2,222,669</u>	<u>\$4,380,693</u>	<u>\$6,603,362</u>

\$1,066,946 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2023	(\$647,563)	(\$780,907)	(\$1,428,470)
2024	(483,066)	(537,613)	(1,020,679)
2025	(443,254)	(615,117)	(1,058,371)
2026	(572,216)	(874,825)	(1,447,041)
Total	<u>(\$2,146,099)</u>	<u>(\$2,808,462)</u>	<u>(\$4,954,561)</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, compared with June 30, 2020, are presented below:

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	June 30, 2021	June 30, 2020
Inflation	2.40%	3.00%
Future Salary Increases, including inflation	3.25% to 13.58%	3.50% to 18.20%
COLA or Ad Hoc COLA	2.00%, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	2.50%
Investment Rate of Return	7.00% net of system expenses	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.30% for males and set forward 3 years and adjusted 106.80% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Mortality rates for 2020 were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120.00% of male rates, and 110.00% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90.00% for male rates and 100.00% for female rates, set back five years is used for the period after disability retirement.

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

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

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	-0.33%
US Equity	24.75%	5.72%
Non-US Equity Developed	13.50%	6.55%
Non-US Equity Emerging	6.75%	8.54%
Fixed Income/Global Bonds	19.00%	1.14%
Private Equity	11.00%	10.03%
Real Estate/Real Assets	16.00%	5.41%
Multi-Asset Strategy	4.00%	3.47%
Private Debt/Private Credit	3.00%	5.28%
Total	100.00%	

Discount Rate

The total pension liability for 2021 was calculated using the discount rate of 7.00%. The discount rate for 2020 was 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$6,022,331	\$3,619,724	\$1,593,500

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation compared to those used in the June 30, 2020, actuarial valuation are presented below:

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Inflation	2.50%	2.50%
Projected Salary Increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.00% net of investments expense, including inflation	7.45% net of investments expense, including inflation
Discount Rate of Return	7.00%	7.45%
Payroll Increases	3.00%	3.00%
Cost-of-Living Adjustments (COLA)	0.00%	0.00%

Post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Table with 50.00% of rates through age 69, 70.00% of rates between ages 70 and 79, 90.00% of rates between ages 80 and 84, and 100.00% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90.00% of rates for males and 100.00% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021, and was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with

rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

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

The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$7,356,378	\$3,928,375	\$1,031,722

Changes Between the Measurement Date and the Reporting date

In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

Note 9 - Defined Benefit OPEB Plans

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description

The College contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured

prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14.00% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.00% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the College's surcharge obligation was \$44,049 and \$60,633 for fiscal year 2021.

The surcharge, added to the allocated portion of the 14.00% employer contribution rate is the total amount assigned to the Health Care Fund. The College's contractually required contribution to SERS was \$44,049 for fiscal year 2022 and \$60,633 for fiscal year 2021.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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

Funding Policy

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14.00% of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability (asset) was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$1,898,824	\$0	\$1,898,824
Proportionate Share of the Net OPEB (Asset)	0	(647,796)	(647,796)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.10032980%	0.03072428%	
Prior Measurement Date	<u>0.10226780%</u>	<u>0.03539236%</u>	
Change in Proportionate Share	-0.00193800%	-0.00466808%	
OPEB Expense	(\$123,793)	(\$86,154)	(\$209,947)

At June 30 2022, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$20,240	\$23,066	\$43,306
Changes of assumptions	297,880	41,379	339,259
Changes in employer proportionate share of net OPEB liability	31,578	6,462	38,040
Contributions subsequent to the measurement date	<u>44,049</u>	<u>0</u>	<u>44,049</u>
Total Deferred Outflows of Resources	<u>\$393,747</u>	<u>\$70,907</u>	<u>\$464,654</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$945,700	\$118,688	\$1,064,388
Changes of assumptions	260,028	386,459	646,487
Net difference between projected and actual earnings on OPEB plan investments	41,253	179,558	220,811
Changes in employer proportionate share of net OPEB liability	<u>405,406</u>	<u>110,528</u>	<u>515,934</u>
Total Deferred Inflows of Resources	<u>\$1,652,387</u>	<u>\$795,233</u>	<u>\$2,447,620</u>

\$44,049 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Fiscal Year			
Ending June 30:	SERS	STRS	Total
2023	(\$304,988)	(\$217,848)	(\$522,836)
2024	(305,277)	(213,354)	(518,631)
2025	(310,646)	(193,729)	(504,375)
2026	(242,008)	(74,241)	(316,249)
2027	(107,981)	(25,353)	(133,334)
Thereafter	(31,789)	199	(31,590)
Total	<u>(\$1,302,689)</u>	<u>(\$724,326)</u>	<u>(\$2,027,015)</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, compared with June 30, 2020, are presented below:

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	June 30, 2021	June 30, 2020
Inflation	2.40%	3.00%
Future Salary Increases, Including Inflation		
Wage Increases	3.25% to 13.58%	3.50% to 18.20%
Investment Rate of Return	7.00% net of investment expense, including inflation	7.50% net of investment expense, including inflation
Municipal Bond Index Rate:		
Measurement Date	1.92%	2.45%
Prior Measurement Date	2.45%	3.13%
Single Equivalent Interest Rate (SEIR), net of plan investment expense, including price inflation:		
Measurement Date	2.27%	2.63%
Prior Measurement Date	2.63%	3.22%
Medical Trend Assumption:		
Medicare	5.125% to 4.40%	5.25% to 4.75%
Pre-Medicare	6.75% to 4.40%	7.00% to 4.75%

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.30% for males and set forward 3 years and adjusted 106.80% for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.50% for males and adjusted 122.50% for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

For 2020, mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120.00% of male rates and 110.00% of female rates. RP-2000 Disabled Mortality Table with 90.00% for male rates and 100.00% for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	-0.33%
US Equity	24.75%	5.72%
Non-US Equity Developed	13.50%	6.55%
Non-US Equity Emerging	6.75%	8.54%
Fixed Income/Global Bonds	19.00%	1.14%
Private Equity	11.00%	10.03%
Real Estate/Real Assets	16.00%	5.41%
Multi-Asset Strategy	4.00%	3.47%
Private Debt/Private Credit	3.00%	5.28%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27%. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92% at June 30, 2021 and 2.45% at June 30, 2020.

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

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

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	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
Proportionate share of the net OPEB liability	\$2,352,872	\$1,898,824	\$1,536,097
	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
Proportionate share of the net OPEB liability	\$1,461,939	\$1,898,824	\$2,482,368

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation and the June 30, 2020 actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.00%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.00%
Discount Rate of Return	7.00%	7.45%
Health Care Cost Trends:		
Medical		
Pre-Medicare	5.00% initial, 4.00% ultimate	5.00% initial, 4.00% ultimate
Medicare	-16.18% initial, 4.00% ultimate	-6.69% initial, 4.00% ultimate
Prescription Drug		
Pre-Medicare	6.50% initial, 4.00% ultimate	6.50% initial, 4.00% ultimate
Medicare	29.98% initial, 4.00% ultimate	11.87% initial, 4.00% ultimate

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

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50.00% of rates through age 69, 70.00% of rates between ages 70 and 79, 90.00% of rates between ages 80 and 84, and 100.00% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90.00% of rates for males and 100.00% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.10% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2021, and was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00% was used to measure the total OPEB liability as of June 30, 2021.

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

The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

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	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net OPEB (asset)	(\$546,640)	(\$647,796)	(\$732,297)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$728,873)	(\$647,796)	(\$547,537)

Changes Between the Measurement Date and the Reporting date

In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability (asset) is unknown.

Note 10 - Operating Expenses by Natural Classification

The College's operating expenses by natural classification were as follows for the years ended June 30, 2022 and 2021:

	2022	2021
Salaries and wages	\$7,554,317	\$7,014,840
Employee benefits	418,818	1,901,768
Utilities	530,892	459,499
Supplies and other services	7,534,284	4,938,580
Depreciation	1,466,927	1,431,781
Student Scholarships and financial aid	-	75,461
Total	<u>\$17,505,238</u>	<u>\$15,821,929</u>

Note 11 - Risk Management

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

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

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

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

Note 12 – Contingencies

Grants

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

Litigation

At June 30, 2022, there were lawsuits or claims pending against Terra Community College. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of the College.

Note 13 – Component Unit Disclosures

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

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

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

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

Investment Type	2022 Fair Value	2021 Fair Value
Money Market Funds	\$311,662	\$244,636
Debt securities	1,168,744	1,371,781
Equity securities	3,902,098	4,572,369
Total	\$5,382,505	\$6,188,786

During the years ended June 30, 2022 and 2021, the Foundation made contributions of \$193,785 and \$80,386 respectively to or on behalf of the College for both restricted and unrestricted purposes.

Beginning net position was adjusted to correct errors related to assets, payables, revenues, and expenses.

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

Note 14 – Related Party

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

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

In 2017 the College entered into a guaranty of payment for student resident facility lease that TVH has with a 3rd party that constructed the dormitory. See Note 15.

Note 15 – Uncertainty Related to Financial Guarantee

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

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

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

Note 16 – Implementation of New Accounting Principles

For fiscal year 2022, the College implemented GASB Statement No. 87, Leases and related guidance from (GASB) Implementation Guide No. 2019-3, and GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period.

GASB Statement No. 87 sets out to improve the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single

model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The implementation of GASB Statement No. 87 did not have an effect on the financial statements of the College.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the College.

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

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

* Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

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

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

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

See accompanying notes to the required supplementary information

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

2014	2013
\$609,592	\$629,155
(609,592)	(629,155)
\$0	\$0
\$4,398,207	\$4,545,921
13.86%	13.84%

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

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

* Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

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

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

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

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016	2015	2014	2013
\$622,688	\$572,333	\$505,131	\$558,201	\$564,937	\$632,101	\$653,992	\$666,219
(622,688)	(572,333)	(505,131)	(558,201)	(564,937)	(632,101)	(653,992)	(666,219)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,447,771	\$4,088,093	\$3,608,079	\$3,987,150	\$4,035,264	\$4,515,007	\$5,030,707	\$5,124,764
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%

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

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

* Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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

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

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

* Information prior to 2016 is not available.

(1) Includes Surcharge

See accompanying notes to the required supplementary information

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

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

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

* Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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

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

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

* Information prior to 2016 is not available.

See accompanying notes to the required supplementary information

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

Note 1 - Net Pension Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

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

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

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

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

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

Changes in Assumptions:

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

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

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

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

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

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

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019-2022: There were no changes in benefit terms from the amounts reported for these fiscal years.

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

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

Changes in Assumptions:

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

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

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

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

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

Note 2 - Net OPEB (Asset)/Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2017-2022: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

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

- (1) Discount Rate:

Prior Measurement Date	2.63%
Measurement Date	2.27%
- (2) Investment Rate of Return:

Prior Measurement Date	7.50%
Measurement Date	7.00%

Terra State Community College
Sandusky County, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2022

- (3) Assumed Rate of Inflation:
 - Prior Measurement Date 3.00%
 - Measurement Date 2.40%
- (4) Payroll Growth Assumption:
 - Prior Measurement Date 3.50%
 - Measurement Date 1.75%
- (5) Assumed Real Wage Growth:
 - Prior Measurement Date 0.50%
 - Measurement Date 0.85%
- (6) Municipal Bond Index Rate:
 - Prior Measurement Date 2.45%
 - Measurement Date 1.92%
- (7) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 2.63%
 - Measurement Date 2.27%
- (8) Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- (9) Rate of health care participation for future retirees and spouses was updated to reflect recent.
- (10) Mortality among active members was updated to the following:
 - a. PUB-2010 General Amount Weighted Below Median Employee mortality table.
- (11) Mortality among service retired members was updated to the following:
 - a. PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females.
- (12) Mortality among beneficiaries was updated to the following:
 - a. PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females.
- (13) Mortality among disabled member was updated to the following:
 - a. PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.
- (14) Mortality rates are projected using a fully generational projection with Scale MP-2020.

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

- (1) Discount Rate:
 - Prior Measurement Date 3.22%
 - Measurement Date 2.63%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.13%
 - Measurement Date 2.45%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.22%
 - Measurement Date 2.63%

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

Terra State Community College
Sandusky County, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2022

- (1) Discount Rate:
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.62%
 - Measurement Date 3.13%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%

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

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

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

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

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

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

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

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

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

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

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

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

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

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

Changes in Assumptions:

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

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

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

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

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

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

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OHIO AUDITOR OF STATE KEITH FABER



TERRA COMMUNITY COLLEGE

SANDUSKY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/2/2023

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

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