Owens State Community College

Financial Statements

June 30, 2018

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

Dave Yost • Auditor of State

Board of Trustees
Owens State Community College
PO Box 10000
Toledo, Ohio 43699

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

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

Dave Yost
Auditor of State

October 25, 2018

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Owens State Community College

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Owens State Community College
Perrysburg, Ohio

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Owens State Community College (the "College"), a component unit of the State of Ohio, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the College, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters
As discussed in Note 2, the College adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, A*ccounting and Financial Reporting for Postemployment Benefits Other than Pensions,* as of July 1, 2017. Our opinions were not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of net pension liabilities and pension contributions and the schedules of net OPEB liabilities and OPEB contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 5, 2018

The following management's discussion and analysis (MD&A) provides an overview of the financial position and activities of Owens State Community College for the year ended June 30, 2018 with comparative information for the year ended June 30, 2017. The MD&A should be read in conjunction with the accompanying audited financial statements and footnotes.

ABOUT OWENS STATE COMMUNITY COLLEGE

Founded in 1965, Owens Community College (the "College") continues to offer an affordable, quality education to those who are seeking an associate degree, continuing education courses, and professional development. The College allows you to complete the first two years of a bachelor's degree and then transfer to any four-year University or College. To enhance this process, the College has cultivated transfer agreements with over 20 area four-year colleges and universities.

The Toledo-area campus covers more than 280 acres and is located near downtown Toledo. The 60-acre Findlay-area campus is at 3200 Bright Road on Findlay's northeast side. The College also provides educational opportunities at the Source, Lucas County's One-Stop Employment Center in downtown Toledo. Between our three campus locations, over 11,500 credit and non-credit students are served annually. The College is a comprehensive community college accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools.

The College is currently governed by a nine voting member board of trustees who are responsible for oversight of academic programs, budgets, general administration, and employment of faculty and staff. The trustees are appointed by the governor with the advice and consent of the State Senate for staggered six-year terms.

The following financial statements reflect all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the College and its discretely presented legally separate entity, Owens Community College Foundation (the "Foundation"). The Foundation's primary function is fundraising to supplement the resources that are available to the College in support of its programs. The Foundation is governed by a separate board of trustees which is self-perpetuating and consists of graduates and friends of the College. Nearly all the assets of the Foundation are restricted by donors to activities of the College. The College does not control the timing or amount of receipts from the Foundation.

ABOUT THE FINANCIAL STATEMENTS

The annual financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities.* In addition to this MD&A section, the audited financial statements include a statement of net position; statement of revenue, expenses, and changes in net position; statement of cash flows; and the notes to the financial statements. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* which amends GASB Statement No. 14, the Foundation is discretely presented as a component unit of the College. The Foundation is excluded from Management's Discussion and Analysis. Complete financial statements for the Foundation can be obtained from Owens State Community College, 30335 Oregon Road, Perrysburg, OH 43551.

The net pension liability (NPL) is the largest single liability reported by the College at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the College adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the College's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the College is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

As a result of implementing GASB 75, the College is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from ($2,883,506), to ($25,571,338).

Using This Annual Report

The College's annual report consists of three basic financial statements: the statement of net position, the statement of revenue, expenses, and change in net position, and the statement of cash flows. These financial statements are prepared in accordance with GASB principles.

The financial statements report the College's net position and changes in net position. Increases or decreases in the College's net position are indicative of the College's financial position. Changes of a nonfinancial nature are relevant as well, such as enrollment trends, program growth or decline, the functionality of facilities, and required maintenance.

The College's financial statements are prepared using the accrual basis of accounting.

Another important factor to consider when evaluating the financial viability of the College is its ability to meet financial obligations as they mature. The statement of cash flows presents the information related to cash inflows and outflows. This is broken down into four components: operating, investing, capital, and noncapital financing activities. The statement shows the College's sources and uses of cash.

FINANCIAL HIGHLIGHTS

The net position by category for fiscal years 2018 and 2017 are shown below. Net position in aggregate increased $39,065,786 from fiscal year 2017 to fiscal year 2018. In fiscal year ended June 30, 2018, the College's expenses decreased significantly due to GASB pension and other postemployment benefit adjustments to salaries, wages and benefits.

	Net Investment In Capital Assets	Unrestricted	Total Net Position
FY 2018	$ 80,404,911	$ (66,910,463)	13,494,448
FY 2017 - Restated	79,859,089	(105,430,427)	(25,571,338)

A summarization of the College’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2018 and 2017 follows:

	June 30	
	2018	Revised 2017
Assets		
Current assets	$ 27,926,483	$ 24,794,350
Capital assets	80,714,911	81,053,895
Other noncurrent assets	7,486,063	1,032,964
Total assets	116,127,457	106,881,209
Deferred Outflows of Resources	17,721,810	18,303,012
Liabilities		
Current liabilities	11,438,064	11,049,553
Noncurrent liabilities	85,872,723	126,812,820
Total liabilities	97,310,787	137,862,373
Deferred Inflows of Resources	23,044,032	12,893,186
Net Position		
Net investment in capital assets	80,404,911	79,859,089
Unrestricted	(66,910,463)	(105,430,427)
Total net position	**$ 13,494,448**	**$ (25,571,338)**

Variances

Current assets increased by $3,132,133 from 2017 to 2018 primarily due to an increase in investments. Noncurrent assets increased $6,453,099 due to purchase of investments and changes in the composition of the College’s investment portfolio. Capital assets decreased by $338,984 due to capital asset depreciation offset by capital asset purchases. Current liabilities increased by $388,511 from 2017 to 2018 primarily due to increases in unearned revenue and salaries, wages, and fringe benefits payable. The noncurrent liabilities decreased $40,940,097 due to a decrease to net pension and OPEB liabilities and a decrease to notes payable. The increase in deferred inflows of resources is due changes in the College’s proportionate share of each plan’s changes in contributions, investment returns, and assumptions as it relates to the net pension liability and net OPEB liability. Net position increased primarily due the changes in the pension and other postemployment benefit expenses.

The following is a summary of the College’s revenue, expenses, and changes in net position for the years ended June 30, 2018 and 2017. Information necessary to restate 2017 activity for implementation of GASB 75 was not available (OPEB expense) and therefore 2017 amounts have not been fully revised due to GASB 75 implemenation.

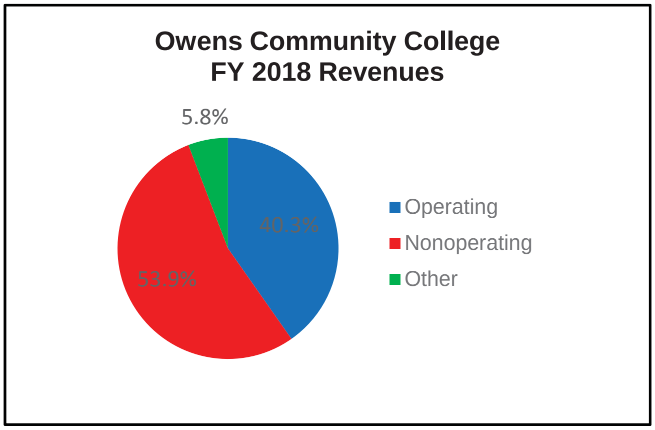
	Year Ended June 30	
	2018	Revised 2017
Operating Revenue		
Student tuition and fees	$ 26,357,831	$ 23,642,554
Grants - Federal, state, and local	3,207,528	3,269,808
Sales and service	659,413	622,070
Auxiliary activities	888,966	1,115,709
Other operating revenue	425,963	142,617
Total operating revenue	31,539,701	28,792,758
Operating Expenses		
Educational and general	32,870,469	61,892,236
Depreciation	5,748,705	5,591,561
Auxiliary enterprises	650,829	496,580
Total operating expenses	39,270,003	67,980,377
Operating Loss	(7,730,302)	(39,187,619)
Nonoperating Revenue		
State appropriations	30,082,339	31,884,220
Pell grants	11,597,131	12,329,138
Investment income	571,617	451,273
Interest expense	(17,451)	(33,856)
Total nonoperating revenue	42,233,636	44,630,775
Income Before Other Revenue		
Before capital appropriations and grants	34,503,334	5,443,156
Capital Appropriations and Grants	4,562,452	3,537,519
Increase in Net Position	39,065,786	8,980,675
Net Position - Beginning of year - Restated	(25,571,338)	N/A
Net Position - End of year	**$ 13,494,448**	**$ (25,571,338)**

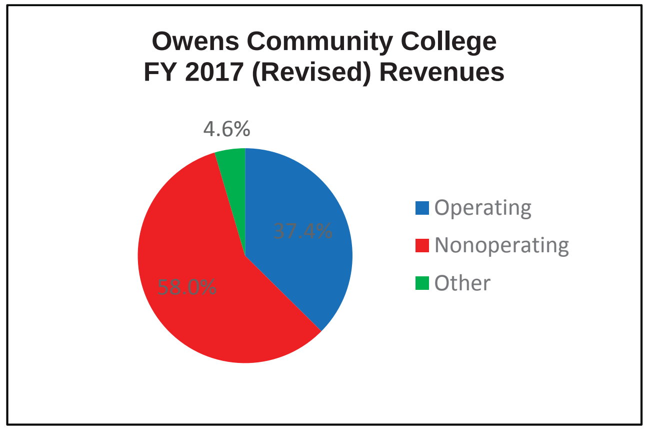
Statement of Revenue, Expenses, and Changes in Net Position

The College’s two major sources of revenue are operating (tuition and fees) and nonoperating (the state share of instruction). Both types of revenue are tied to enrollment, with tuition and fees being generated via an assessment mechanism. This mechanism focuses on individual credit hours of enrollment. The state share of instruction is distributed through a funding formula which is 100 percent performance based. The funding model includes three major components: course completion, success points and attainment or credential completion. Course completion is 50 percent of the formula based on students receiving a “D” or better for their course work. Success points are 25 percent of the formula and are based on when the student reaches 12, 24 and 36 completed credit hours. The remaining 25 percent of the formula is for attainment or credential completion which includes degree attainment, certificate attainment and a component for student transfer to an Ohio public or private institution.

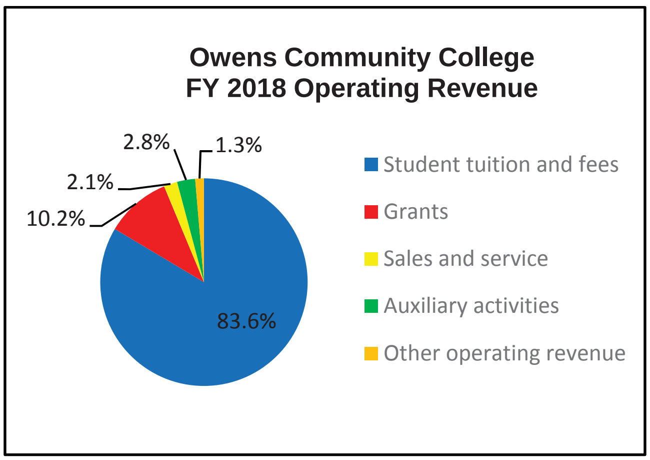
Operating Revenue

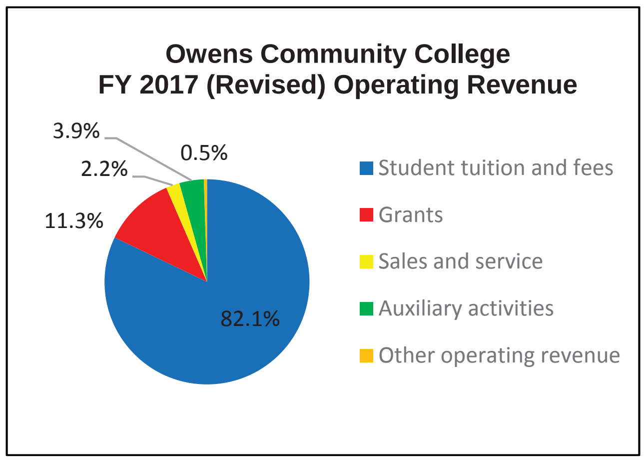
The charts below present total revenue by category for the fiscal years ended June 30, 2018 and 2017:





The charts below reflect the College's operating revenue for the fiscal years ended June 30, 2018 and 2017:





For fiscal year 2015, the per credit hour rate was $153.00 for instruction and general fees following the state mandated tuition increase which was changed to 2 percent or $100 per year whichever was greater for the institution. For fiscal year 2016, 2017 and 2018, state legislation did not allow for tuition increases.

Gross student tuition and fees revenue increased from fiscal year 2017 to 2018. Gross tuition and fees were $38,218,055 and $38,059,418, in fiscal years 2018 and 2017, respectively.

Scholarship allowances decreased while scholarship dollars per FTE have increased. For 2018, scholarship allowances totaled $11,665,460 and scholarship dollars per FTE were $2,152. For 2017, scholarship allowances totaled $12,435,552 and scholarship dollars per FTE were $2,120.

Grant revenue decreased in fiscal year 2018 by $62,280. The decrease in grant revenue for fiscal year 2018 was due to the timing of new grants beginning and existing grants ending during the year. Auxiliary service activities (including food services, childcare services, and copy center) decreased due mainly to the College’s decrease in bookstore commissions.

Nonoperating Revenue

The College’s largest single source of revenue is the nonoperating revenue received from the State of Ohio. The College’s State share of instruction amounted to $30,082,339 and $31,884,220, in fiscal years 2018 and 2017, respectively. The State share of instruction was $5,549 and $5,436 per FTE for fiscal years 2018 and 2017, respectively. Another component of nonoperating revenue is investment income. In 2018, investment income increased by $120,344 in comparison to 2017. Investment income increased due to the changes in composition of investments within the College’s investment portfolio combined with an increase in the total investment balance.

Pell grants declined in fiscal year 2018 by $732,007 compared to fiscal year 2017. The decline in Pell grants is reflective of the decrease in enrollment and changes in financial aid regulations.

Operating Expense Changes

The College’s operating expenses reflect changes related to student enrollment, college initiatives, and instructional program changes. Due to declining enrollment during the past five fiscal years, the College has adjusted positions, class size and expenditures based on an in-depth analysis. In fiscal year 2018 the College saw savings in salaries and benefits largely due to vacancies. During fiscal year 2018, the College invested in additional repairs, furniture and cosmetic updates to classrooms and student spaces. Additionally, the College reported negative pension and OPEB expense of $23,675,201 and $2,055,363, respectively, in operating expenses during the year, as the College recognized its proportionate share of each plan’s annual pension expense and annual OPEB expense related to its net pension liability and net OPEB liability and related deferred outflows/inflows of resources.

The depreciation expense for fiscal years 2018 and 2017 was $5,748,705 and $5,591,561, respectively.

Capital Assets

At June 30, 2018 and 2017, the College had $80,714,911 and $81,053,895, respectively, invested in capital assets, net of accumulated depreciation.

The details of the capital assets at June 30, 2018 and 2017 are shown below:

	2018	2017
Land and land improvements	$ 38,489,457	$ 38,483,994
Buildings	119,905,019	115,419,827
Equipment	25,229,189	23,988,158
Leasehold improvements	488,773	488,733
Less accumulated depreciation	(104,551,127)	(98,934,124)
Net of depreciation	79,561,311	79,446,588
Construction in progress	1,153,600	1,607,307
Total	$ 80,714,911	$ 81,053,895

Debt associated with capital assets relate to funding for the upgrade to the existing infrastructure with energy efficient resources. Total debt remaining at June 30, 2018 and 2017 was $310,000 and $1,194,806, respectively, with the debt relating to the energy efficiency program.

Capital Projects

Fiscal year 2018 saw the completion of several major projects. The College completed the second phase of Veterans Hall (formally Kingsley), phase one of College Hall, the Transportation Technologies expansion, the high voltage switchgear project, Cherry street machining equipment and the Administration Hall roof. The College also began the Administration Hall water infiltration project.

Cash Flows

The statements of cash flows for the years ended June 30, 2018 and 2017 are as follows:

	Year Ended June 30	
	2018	2017
Cash Flows from Operating Activities		
Student tuition and fees	$ 26,350,347	$ 29,541,373
Grants - Federal, state, and local	3,207,528	3,269,808
Payments to employees, suppliers, students and others	(61,865,496)	(68,844,511)
Auxiliary activities	926,309	1,115,709
Sales and services	622,070	622,070
Other receipts	416,080	1,065,824
Net cash used in operating activities	(30,343,162)	(33,229,727)
Cash Flows from Noncapital Financing Activities		
Pell grants	11,597,131	12,329,138
State appropriations	30,082,339	31,884,220
Agency transactions	47,932	56,060
Net cash provided by noncapital financing activities	41,727,402	44,269,418
Cash Flows from Capital and Related Financing Activities		
Principal payments on notes payable	(884,806)	(1,032,308)
Capital appropriations and grants	4,562,452	3,537,519
Interest paid on notes payable	(17,451)	(33,856)
Purchases of capital assets	(5,803,787)	(3,694,504)
Proceeds from sale of capital assets	20,776	927,424
Net cash used in capital and related financing activities	(2,122,816)	(295,725)
Cash Flows from Investing Activities		
Interest on investments	571,617	451,273
Net change in investments	(15,568,700)	(6,205,601)
Net cash used in investing activities	(14,997,083)	(5,754,328)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,735,659)	4,989,638
Cash and Cash Equivalents - Beginning of year	10,498,549	5,508,911
Cash and Cash Equivalents - End of year	**$ 4,762,890**	**$ 10,498,549**

Cash used in operating activities for fiscal year 2018 decreased over 2017 due primarily to a decrease in operating expenses incurred by the College. Primary inflows of operating cash are from tuition and fees, grant revenue, and auxiliary enterprises. Primary outflows of operating cash are payments to employees and suppliers. Cash flows from noncapital financing activities decreased due to the decrease in state appropriations. Cash flows from capital and related financing activities decreased due to an increase in purchases of capital assets. Cash flows from investing activities decreased during the fiscal year due to an increase in our investment purchases made.

Initiatives

The College continues to be committed to identifying opportunities that will strengthen our mission of serving our students and community. This fall, the College embarked on a strategic planning process to engage internal and external stakeholders including 9 internal and 10 community input sessions as well as a vision and mission survey. Through this process we will develop a 3-year comprehensive strategic plan and an updated mission and vision to be presented to the Board of Trustees in February of 2019. We continue to work with advisory boards and regional partners to identify needed programming, training and training facilities for the region.

During fiscal year 2018, Owens Community College completed an expansion to the Transportation Technology building. The expansion was completed using capital funding. The expansion will allow the College to provide the additional trained employees needed for Caterpillar and John Deere.

The College currently partners with several companies to assist in workforce training. The most recent partnerships include Dana, First Solar and Handcock County FAME. The College is currently doing pre-employment assessment and safety training at Dana, Inc. Dana recently brought major manufacturing production back to the Overland Park facility in Toledo making axles for the automotive industry. We are in consultation with First Solar, who is doubling its production of Series 6 solar panels in a community directly connected to the Perrysburg Campus, to set up both pre-employment assessments and possible degree completion plans for employees. We are participating in a county-wide effort to create a corporate apprenticeship program in Hancock County modeled upon the Kentucky FAME (Foundation for Advanced Manufacturing Education) model.

Owens is focused on upgrading needed training equipment for students in the classroom. The College has reviewed the learning spaces on campus and upgraded classrooms and labs. Student facing community and study spaces have been added at the request of students, making the campus more inviting and more of a learning community.

In fiscal year 2018, the College continued to phase increases to student non-general fees to help cover student costs for technology, student engagement and other services. Non-general fees and lab/course fees will be annually reviewed.

Owens State Community College

Statement of Net Position
June 30, 2018

Current Assets	
Cash and cash equivalents (Note 3)	$ 4,762,890
Investments (Note 4)	17,113,624
Accounts receivable - net (Note 6)	4,775,199
Receivable from Foundation (Note 11)	18,859
Prepaid expenses and deferred charges	1,255,911
Total current assets	27,926,483
Noncurrent Assets	
Investments (Note 4)	7,443,779
Capital assets - net (Note 7)	80,714,911
Student loans receivable - net	42,284
Total noncurrent assets	88,200,974
Total assets	116,127,457
Deferred Outflows of Resources	
Pensions (Note 9)	17,194,398
Other postemployment benefits (Note 10)	527,412
Total deferred outflows of resources	17,721,810
Current liabilities	
Accounts payable	2,135,013
Notes payable (Note 8)	310,000
Salaries, wages, and fringe benefits payable	5,153,251
Unearned revenue	3,437,931
Deposits held for others	401,869
Total current liabilities	11,438,064
Noncurrent liabilities	
Benefits payable (Note 8)	1,839,214
Net pension liability (Note 9)	66,607,129
Net OPEB liability (Note 10)	17,279,056
Non-federal student loans (Note 8)	147,324
Total noncurrent liabilities	85,872,723
Total liabilities	97,310,787
Deferred Inflows of Resources	
Pensions (Note 9)	19,291,421
Other postemployment benefits (Note 10)	3,752,611
Total deferred inflows of resources	23,044,032
Net Position	
Net investment in capital assets	80,404,911
Unrestricted	(66,910,463)
Total net position	**$ 13,494,448**

See notes to Financial Statements.

Owens State Community College

Statement of Revenue, Expenses and Change in Net Position
Year Ended June 30, 2018

Revenues		
Operating revenues:		
Student tuition and fees - net of scholarship allowances of $11,665,460 and uncollectible accounts of $194,764	$	26,357,831
Grants - Federal, state, and local		3,207,528
Sales and services		659,413
Auxiliary enterprises - net of scholarship allowances of $355,893		888,966
Other operating revenues		425,963
Total operating revenues		31,539,701
Expenses:		
Operating expense:		
Salaries, wages and benefits		15,051,049
Supplies		4,290,612
Travel, entertainment and professional development		454,421
Information and communication		1,856,298
Occupancy		3,983,024
Cost of goods sold		22,270
Outside services		6,980,449
Scholarships and other student aid		612,827
Depreciation		5,748,705
Other		270,348
Total operating expenses		39,270,003
Operating Loss		(7,730,302)
Nonoperating Revenues (Expenses)		
State appropriations		30,082,339
Investment income		571,617
Interest on debt		(17,451)
Pell Grants		11,597,131
Net nonoperating revenues		42,233,636
Gain Before Other Revenues		34,503,334
Other Revenues		
Capital appropriations		4,549,985
Capital grants		12,467
Total other revenues		4,562,452
Increase in Net Position		39,065,786
Net Position		
Beginning of year, restated (Note 2)		(25,571,338)
End of year	**$**	**13,494,448**

See notes to Financial Statements.

Owens State Community College

Statement of Cash Flows
Year Ended June 30, 2018

Cash Flows from Operating Activities	
Student tuition and fees	$ 26,350,349
Grants - Federal, state, and local	3,207,528
Payments to employees, suppliers, students, and others	(61,865,497)
Auxiliary enterprises	926,309
Sales and services	622,070
Other receipts	416,080
Net cash used in operating activities	(30,343,161)
Cash Flows from Noncapital Financing Activities	
Pell grant	11,597,131
State appropriations	30,082,339
Agency transactions	47,932
Net cash provided by noncapital financing activities	41,727,402
Cash Flows from Capital and Related Financing Activities	
Principal payments on notes payable	(884,806)
Capital appropriations and grants	4,562,452
Interest paid on notes payable	(17,451)
Purchases of capital assets	(5,803,788)
Proceeds from sale of capital assets	20,776
Net cash used in capital and related financing activities	(2,122,817)
Cash Flows from Investing Activities	
Interest on investments	571,617
Net change in investments	(15,568,700)
Net cash used in investing activities	(14,997,083)
Net Decrease in Cash and Cash Equivelents	(5,735,659)
Cash and Cash Equivalents - Beginning of year	10,498,549
Cash and Cash Equivalents - End of year	**$ 4,762,890**

(continued)

See notes to Financial Statements.

Statement of Cash Flows (Continued)
Year Ended June 30, 2018

Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(7,730,302)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation		5,748,705
Gain on sale of capital assets		(20,776)
Changes in assets and liabilities:		
Receivables - net		(7,482)
Prepaid expenses and deferred charges		244,398
Student loans receivable - net		10,893
Deferred outflows of resources		581,202
Accounts payable		575,560
Salaries, wages, and benefits payable		241,945
Net pension liability		(35,148,572)
Net OPEB liability		(5,480,514)
Deferred inflows of resources		10,150,846
Unearned revenue		490,936
Net cash used in operating activities	**$**	**(30,343,161)**
Noncash capital and related financing activities:		
Purchase of capital assets financed through accounts payable	$	3,588

See notes to Financial Statements.

Owens State Community College

Statement of Financial Position
Discretely Presented Component Unit – Foundation
June 30, 2018

Assets	
Cash and cash equivalents	$ 341,730
Investments	4,324,958
Pledges receivable	37,171
Total assets	$ 4,703,859
Liabilities and Net Assets	
Liabilities	
Due to Owens State Community College	$ 18,859
Funds in custody (agency funds)	78,614
Total liabilities	97,473
Net Assets	
Unrestricted	916,529
Temporarily restricted	1,503,678
Permanently restricted	2,186,179
Total net assets	4,606,386
Total liabilities and net assets	$ 4,703,859

See notes to Financial Statements.

Owens State Community College

Statement of Activities and Change in Net Assets
Discretely Presented Component Unit – Foundation
Year Ended June 30, 2018

Revenue and Support		
Donations received	$	704,085
Investment income:		
Interest and dividend income		82,018
Unrealized loss on investments		190,815
Realized gain on investments		64,634
Grant Revenue		55,149
Total revenue and support		1,096,701
Expenses		
Program services:		
Scholarships		153,834
Equipment Grant		38,010
Outside grants expense		55,149
Other program services		84,629
Total program services		331,622
Management and general		26,594
Fund-raising		18,769
Total expenses		376,985
Change in Net Assets		719,716
Net Assets - Beginning of year		3,886,670
Net Assets - End of year	**$**	**4,606,386**

See notes to Financial Statements.

NOTE 1 – ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Owens State Community College (the “College”) was created pursuant to Section 3357 of the Ohio Revised Code. In November 1994, the Ohio Department of Higher Education approved changing the status of the College from a technical college to a community college, pursuant to Section 3358 of the Ohio Revised Code. The College’s purpose is to provide instruction in post-secondary education programs to residents of the College’s district. Students who satisfactorily complete such programs receive associate degrees or certificates in liberal arts and sciences, technical, or professional fields. The College is a component unit of the State of Ohio and is discretely presented in the State of Ohio’s Comprehensive Annual Financial Report.

The College is classified as a state instrumentality under Internal Revenue Code Section 115 and is also classified as a charitable organization under Internal Revenue Code Section 501(c)(3), and is therefore exempt from federal income taxes. Certain activities of the College may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 through 514.

The College is governed by a board of trustees, who is responsible for oversight of academic programs, budgets, general administration, and employment of faculty and staff. The College is currently governed by a nine voting member board of trustees. The trustees are appointed by the governor with the advice and consent of the State Senate for overlapping six-year terms.

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States as prescribed by the GASB. The College is a public institution engaged in business-type activities. In accordance with GASB Statement No. 35, *Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities*, the College presents a management’s discussion and analysis; statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows; and notes to the financial statements.

In the determination of whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted nets assets are available, it is the College’s practice to use restricted first.

The College has determined that the Owens State Community College Foundation is a component unit of the College. The financial activity of the Foundation is included through a discrete presentation as part of the College’s financial statements. The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. 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.

The Foundation is a legally separate, tax-exempt entity that acts primarily as a fundraising organization to supplement the resources available to the College in support of its programs. The Foundation transferred $331,622 during fiscal year 2018 to the College for both restricted and unrestricted purposes in support of its programs.

SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For the purpose 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. Cash and cash equivalents include cash and money market funds, stated at cost, which approximates fair value. All certificates of deposit are included in investments on the statement of net position.

Investments

Investments include publicly traded securities reported at fair market value as of the end of the fiscal year; any change in the unrealized gain (loss) during the fiscal year is included in investment income in the statement of revenue, expenses, and changes in net position. Fair value is determined by market quotations. Donated investments are recorded at the fair value at the time received.

Accounts Receivable

Accounts receivable are for transactions relating to tuition and fees, auxiliary enterprise sales, grants and contracts, and miscellaneous sales and services. Accounts receivable are recorded net of contractual allowances and allowances for uncollectible accounts based on historical analysis.

Inventories

Inventories are stated at the lower of cost or market (net realizable value) using the first-in, first-out (FIFO) method.

Capital Assets

Capital assets are stated at cost or fair value at date of donation in the case of gifts. When capital assets are sold or otherwise disposed of, the carrying value of such assets is removed from the asset accounts, along with the related accumulated depreciation. Capital assets, with the exception of land, are depreciated on the straight-line method over the following estimated useful lives:

Land Improvements	5 to 20 years
Buildings	40 years
Building Improvements	10 to 20 years
Equipment	3 to 10 years

Assets are capitalized with a cost of $50,000 or greater for buildings and land improvement, $20,000 or greater for building improvements and infrastructure and $5,000 or greater for library books and equipment.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the College, deferred outflows of resources are reported on the statement of net position for amounts related to pension and OPEB Plans as explained in Notes 9 and 10.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflows of resources are related to pension and OPEB plans and are reported on the statement of net position (See Notes 9 and 10).

Pensions/Other Postemployment Benefits (OPEB)

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

Unearned Revenue

Unearned revenue includes tuition and fees for summer and fall terms recorded in the current fiscal year but related to the subsequent accounting period, and related expenses are shown as prepaid expenses in the statement of net position and will be recognized in the following year. Additionally, unearned revenue includes amounts received from grant and contract sponsors that have not yet been earned.

Net Position

GASB Statement No. 34, as amended by GASB Statement No. 63, establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

Net investment in capital assets: Includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement in those assets.

Restricted: Assets subject to externally imposed constraints so that they may be maintained permanently by the College, or net position whose use by the College is subject to externally imposed constraints that can be fulfilled by actions of the College pursuant to those constraints or that expire by the passage of time. Restricted net position is classified further as nonexpendable and expendable. Nonexpendable restricted net position is available for investment purposes only and cannot be expended. Expendable restricted net position is available for expenditure by the College, but must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the assets.

Unrestricted: Assets available to the College for any lawful purpose of the institution. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees or may otherwise be limited by contractual agreements with outside parties. The College has committed unrestricted net position to provide for identified future needs, such as debt service, contractual obligations, capital outlay, academic programming, and postemployment benefits.

Operating and Nonoperating Revenue

The College's policy for defining operating activities as reported on the statement of revenue, expenses, and changes in net position is to report those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue as defined by GASB Statement No. 34, including State appropriations, investment income and Pell grants. Restricted and unrestricted resources are spent and tracked at the discretion of the College's department within the guidelines of donor restrictions, if any.

Compensated Absences

College employees earn vacation and sick leave based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding their limitation are forfeited. The liability and expense incurred are recorded at year-end as long-term and short-term liabilities in the statement of net position, and as a component of operating expense in the statement of revenue, expenses, and change in net position.

State Subsidies

The College receives student-based subsidy and other subsidies from the State. These subsidies are determined biennially and released annually based upon allocations determined by the Ohio General Assembly and the Ohio Department of Higher Education.

In addition to subsidies, the State provides capital appropriations for construction of major plant facilities on the campus. The financing of construction is obtained by the State through issuance of State revenue bonds. State funds are pledged for the repayment of the revenue bonds. In the event these funds are insufficient to retire the revenue bonds, a pledge exists to assess a special student fee to students of State-assisted institutions of higher education. As a result of this financing arrangement, the outstanding debt relating to the revenue bonds is not included in the College's statement of net position. State appropriations are recognized when received. Restricted funds are recognized as revenue only to the extent expended.

Student Tuition and Fees

Student tuition and fee revenue is reported net of scholarship allowances and uncollectible accounts in the statement of revenue, expenses and changes in net position.

Auxiliary Revenue

Auxiliary revenue represents revenue generated by the bookstore, dining services and other departmental activities that provide services to the student body, faculty and staff.

Use of Estimates

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

New Accounting Standards Adopted

For the year ended June 30, 2018, the College implemented the provisions of GASB Statement No. 75 and No. 85. GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard requires the College to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the School Employees Retirement System (SERS) or State Teachers Retirement System (STRS). The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The implementation of this pronouncement required a restatement of net position as reported June 30, 2017 (Note 2).

GASB 85, *Omnibus 2017,* addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the College’s fiscal year 2018 financial statements; however, there was no effect on beginning net position.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the College implemented Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and related guidance from* (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

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

Net Position June 30, 2017	($2,883,506)
Adjustments:	
Net OPEB Liability	(22,759,570)
Deferred Outflow – Payments Subsequent to Measurement Date	71,738
Restated Net Position June 30, 2017	($25,571,338)

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

NOTE 3 – CASH AND CASH EQUIVALENTS

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the College places deposits must pledge as collateral eligible securities for amounts on deposits not insured by the Federal Depository Insurance Corporation (FDIC). Collateral that may be pledged is limited to obligations of the following entities: the United States and its agencies, the State of Ohio, the Ohio Student Loan Commission and any legally constituted taxing subdivision within the State of Ohio.

Deposits: Custodial credit risk is the risk that in the event of a failure of a depository financial institution to fulfill its obligations, the College will not be able to recover the value of deposits, investments or collateral securities in the possession of an outside party. The College's policy for deposits is that any balance not covered by depository insurance will be collateralized by the financial institution with pledged securities. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the Authority and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At June 30, 2018, the carrying amount of the College's cash and cash equivalents for all funds is $4,762,890 and the bank balances were $5,693,974. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the June 30, 2018 bank balances, $250,000 is covered by federal deposit insurance. The remaining balances of cash and cash equivalents are collateralized by the depository institution per Ohio Revised Code 135.182 or by a pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State (OPCS program).

The College's investment policies are governed by state statutes that authorize the College to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; and U.S. Government money market funds and repurchase agreements. Such repurchase agreements must be acquired from qualifying Ohio financial institutions, or from registered brokers/dealers.

NOTE 4 – INVESTMENTS

At June 30, 2018, the College had amounts on deposit with STAR Ohio, with a fair value of $15,137,741. STAR 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 Securities and Exchange Commission 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 its 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 a NAV per share that approximates fair value.

As of June 30, 2018, the College had the following investments and maturities:

		Investment Maturities (in Years)		
	Fair Value	Less than 1	1 to 3	3 to 5
Negotiable certificates of deposit	$ 8,432,552	$ 1,975,883	$ 5,505,165	$ 951,504
U.S. Treasury/Agency Securities	987,110	-	987,110	-
Star Ohio	15,137,741	15,137,741	-	-
	$ 24,557,403	$ 17,113,624	$ 6,492,275	$ 951,504

The College's investments include $987,110 invested in obligations of the U.S. Treasury and are therefore not subject to the credit risk disclosures of GASB Statement No. 40 which are stated at their fair value. STAR Ohio carries a rating of AAAm by Standard and Poor's.

The College's investments in negotiable certificates of deposits are held in the College's name by Trustees and are fully covered by FDIC.

The Foundation holds certain investments for the benefit of the College. Investments valued at market value at the Foundation by major security type at June 30, 2018 are as follows:

Bond mutual fund	$ 917,936
Equity mutual fund	1,709,528
Common stock	1,697,494
Total	$ 4,324,958

NOTE 5 – FAIR VALUE MEASUREMENT

The College's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.
Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt, equities, and investment derivatives classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Mortgage and asset backed securities classified in Level 3, due to lack of an independent pricing source, are valued using an internal fair value as provided by the investment manager.

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018				
Assets:				
Negotiable certificates of deposit	$ 8,432,552	8,432,552	-	-
U.S. Treasury/Agency Securities	987,110	987,110	-	-

The investments in STAR Ohio are measured at the net asset value (NAV) per share provided by STAR Ohio; therefore, they are not included in the tables above. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

NOTE 6 – ACCOUNTS RECEIVABLE

The composition of accounts receivable at June 30, 2018 is summarized as follows:

Student receivables for fees and auxiliary services	$ 5,467,920
Allowance for doubtful accounts	(1,100,000)
Grants - federal, state and local	362,029
Capital appropriations	3,588
Interest receivable	41,662
	$ 4,775,199

NOTE 7 – CAPITAL ASSETS

The following is a summary of changes in the capital assets and related accumulated depreciation during the 2018 fiscal year:

	Balance June 30, 2017	Additions	Retirements/ Transfers	Balance June 30, 2018
Nondepreciated capital assets:				
Land	$ 9,907,728	-	-	$ 9,907,728
Construction in progress	1,607,307	906,425	(1,360,132)	1,153,600
Total nondepreciated capital assets	11,515,035	906,425	(1,360,132)	11,061,328
Depreciable capital assets:				
Land improvements	28,576,266	5,463	-	28,581,729
Buildings and improvements	115,908,560	4,485,232	-	120,393,792
Equipment	23,988,158	1,372,733	(131,702)	25,229,189
Total other capital assets	168,472,984	5,863,428	(131,702)	174,204,710
Less: Accumulated Depreciation	(98,934,124)	(5,748,705)	131,702	(104,551,127)
Total Depreciable Assets, net	69,538,860	114,723	-	69,653,583
Capital Assets, net	$ 81,053,895	1,021,148	(1,360,132)	$ 80,714,911

The College has active construction projects resulting in total commitments to vendors of approximately $487,060 at June 30, 2018.

NOTE 8 – DEBT

In March 2010, the College entered into a loan agreement with the Ohio Air Quality Development Authority (Authority) totaling $6,250,000 to finance energy conservation measures, facility improvement measures and operational efficiency improvements. The Authority financed the loan through Series A and B general receipts bonds for $3,125,000 each, which bear interest rates of 3.48 percent and 6.024 percent, respectively, and are passed onto the College through the loan. Series A matured during 2015. Series B will mature on March 15, 2019.

Long-term liabilities consist of the following for the year ended June 30, 2018:

	Revised Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Amount Due Within One Year
Compensated absences	$ 1,937,079	$ 386,352	$ 387,416	$ 1,936,015	$ 96,801
Notes and leases payable	1,194,806	-	884,806	310,000	310,000
Net pension liability	101,755,701	-	35,148,572	66,607,129	-
Net OPEB liability (Note 2)	22,759,570		5,480,514	17,279,056	-
Non-federal student loans	147,324	-	-	147,324	-
	$ 127,794,480	$ 386,352	$ 41,901,308	$ 86,279,524	$ 406,801

Schedule of maturities for the note payable is as follows:

	Principal	Interest	Total
2019	$ 310,000	$ 4,534	$ 314,534
Total	$ 310,000	$ 4,534	$ 314,534

Assets under capital lease are recorded in capital assets with costs of $1,077,095 and accumulated depreciation of $852,700 at June 30, 2018.

NOTE 9 – PENSION PLANS

College employees are covered by one of two retirement systems. The College faculty is covered by the State Teachers Retirement System of Ohio (STRS). Other employees are covered by the State Employees Retirement System of Ohio (SERS). These plans are statewide, multi-employer, cost sharing defined benefit plans. Employees may opt out of STRS or SERS and participate in the alternative retirement plan (ARP) if they meet certain eligibility requirements.

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contributions outstanding at the end of the year is included in salaries, wages and fringe benefits payable.

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2% for the first 30 years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the College is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the 14% employer contribution rate was allocated to the Health Care Fund.

The College's contractually required contribution to SERS was $1,652,840 for fiscal year 2018. Of this amount $68,003 is reported in salaries, wages and fringe benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14%-member rate goes to the DC Plan and 2% goes the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with 5 years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14% of their annual covered salary. The College was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The College’s contractually required contribution to STRS was $2,385,420 for fiscal year 2018. Of this amount $97,813 is reported in salaries, wages and fringe benefits payable.

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

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

Following is information related to the proportionate share and pension expense:

		SERS		STRS		Total
Proportionate Share of net Pension Liability	$	24,502,724	$	42,104,405	$	66,607,129
Proportion of net Pension Liability		0.410102585%		0.177242796%		
Change in proportion		-0.016491585%		-0.033473044%		
Pension Expense (negative)	$	(3,080,730)	$	(20,594,471)	$	(23,675,201)
Deferred Outflows of Resources						
Differences between expected and actual experience	$	1,054,512	$	1,625,875	$	2,680,387
Change in assumptions		1,267,055		9,208,696		10,475,751
College contributions subsequent to the measurement date		1,652,840		2,385,420		4,038,260
	$	3,974,407	$	13,219,991	$	17,194,398
Deferred Inflows of Resources						
Differences between expected and actual experience	$	-	$	(339,344)	$	(339,344)
Net difference between projected and actual earnings on pension plan investments		(116,309)		(1,389,495)		(1,505,804)
Change in the College's proportionate share and difference in employer contributions		(3,617,470)		(13,828,803)		(17,446,273)
	$	(3,733,779)	$	(15,557,642)	$	(19,291,421)

$4,038,260 reported as deferred outflows of resources related to pension at June 30, 2018 resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

		SERS		STRS		Total
Fiscal Year Ending June 30:						
2019	$	(1,222,597)	$	(2,420,652)	$	(3,643,249)
2020		232,629		(530,460)		(297,831)
2021		148,965		(516,591)		(367,626)
2022		(571,209)		(1,255,368)		(1,826,577)
	$	(1,412,212)	$	(4,723,071)	$	(6,135,283)

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 consider the employee's entire career with the employer and take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class.

The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate Total pension liability was calculated using the discount rate of 7.5%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5%, 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 (6.5%), or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net pension liability	$ 34,003,413	$ 24,502,724	$ 16,543,959

Actuarial Assumptions – STRS

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

Assumptions	July 1, 2017 Valuation	July 1, 2016 Valuation and prior
Inflation	2.50%	2.75%
Salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment rate of return, Including inflation	7.45%, net of investment expenses	7.75%. net of investment expenses
Payroll increases	3.00%	3.50% per annum compounded annually for the next two years, 4.00% thereafter
Cost-of-living adjustments	0% effective July 1, 2017	2% simple for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA commences on 5th anniversary of retirement date
Mortality tables	RP-2014	RP-2000

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

The actuarial assumptions were based on the results of an actual 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:

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, 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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net pension liability	$ 60,355,233	$ 42,104,405	$ 26,730,820

Alternative Retirement Plan

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement plan (ARP) for academic and administrative College employees of public institutions of higher education who are currently covered by the State Teachers Retirement System or Public Employees Retirement System. The College board of trustees adopted such a plan effective April 1999.

Eligible employees (those who are full-time and salaried) have 120 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in STRS and who elect to participate in the alternate retirement plan must contribute their share of retirement contributions (10 percent STRS) to one of eight private providers approved by the State Department of Insurance. For employees who elect an ARP, employers are required to remit employer contributions to STRS Ohio at a rate of 4.5 percent. The employer contribution is the lower of a rate determined by an independent actuarial study or the portion of the STRS Ohio DC Plan employer contribution rate that is allocated to the defined benefit unfunded liability. The College plan provides these employees with immediate plan vesting.

The ARP is a defined contribution plan under IRS Section 401(a). The College's total employer contributions to the ARP for the year ended June 30, 2018, were $242,408.

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the College's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, health care cost trend rates 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 way OPEB are financed; however, the College does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for contractually-required contributions outstanding at the end of the year is reported in salaries, wages and fringe benefits payable.

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 Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy—State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned.

For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the College's surcharge obligation was $66,998, which is reported in salaries, wages and fringe benefits payable.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund, which equaled $128,214 for fiscal year 2018 for the College.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportionate Share of net OPEB Liability	$ 10,363,696	$ 6,915,360	$ 17,279,056
Proportion of net OPEB Liability	0.386166556%	0.177242796%	
Change in proportion	-0.016954173%	-0.033473044%	
OPEB Expense (negative)	$ 310,563	$ (2,365,926)	$ (2,055,363)
Deferred Outflows of Resources			
Differences between expected and actual experience	$ -	$ 399,198	$ 399,198
College contributions subsequent to the measurement date	128,214	-	128,214
	$ 128,214	$ 399,198	$ 527,412
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	$ (27,368)	$ (295,580)	$ (322,948)
Change in assumptions	(983,462)	(557,058)	(1,540,520)
Change in the College's proportionate share and difference in employer contributions	(354,731)	(1,534,412)	(1,889,143)
	$ (1,365,561)	$ (2,387,050)	$ (3,752,611)

$128,214 reported as deferred outflows of resources related to OPEB at June 30, 2018 resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ (491,695)	$ (355,940)	$ (847,635)
2020	(491,695)	(355,940)	(847,635)
2021	(375,329)	(355,940)	(731,269)
2022	(6,842)	(355,940)	(362,782)
2023	-	(282,045)	(282,045)
2024	-	(282,047)	(282,047)
	$ (1,365,561)	$ (1,987,852)	$ (3,353,413)

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 consider the employee's entire career with the employer and take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, 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 allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized in the following table:

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

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

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare 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 calculated using the discount rate of 3.63%, as well as what each plan’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63%), or one percentage point higher (4.63%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
College's proportionate share of the net OPEB liability	$ 12,515,482	$ 10,363,696	$ 8,658,931

The following table presents the net OPEB liability calculated using the current health care cost trend rates, as well as what each plan’s net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.5% decreasing to 4.0%) and one percentage point higher (8.5% decreasing to 6.0%) than the current rates.

	1% Decrease (6.5% decreasing to 4.0%)	Current Trend Rate (7.5% decreasing (to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
College's proportionate share of the net OPEB liability	$ 8,409,362	$ 10,363,696	$ 12,950,289

Actuarial Assumptions – STRS

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

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Blended discount rate of return	4.13%
Investment rate of return	7.45%, net of investment expenses, including inflation
Health care cost trends	6% - 11% initially, 4.50% ultimate
Cost-of-living adjustments	0% effective July 1, 2017

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

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

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

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	6.84 %

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

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

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend Rates – The following table presents the College's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 4.13%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
College's proportionate share of the net OPEB liability	$ 9,283,760	$ 6,915,360	$ 5,043,550

	1% Decrease In Trend Rates	Current Trend Rate	1% Increase In Trend Rates
College's proportionate share of the net OPEB liability	$ 4,804,496	$ 6,915,360	$ 9,693,504

NOTE 11 - RELATED ORGANIZATION

The College is affiliated with the Owens State Community College Foundation (the “Foundation”), which was established in June 1996 by the trustees of the College through signing a resolution that transferred all assets, liabilities, principal, and income from the Michael J. Owens Technical College Charitable Trust (the “Trust”) to the Foundation. The Foundation has been determined to be exempt from federal income taxes under IRC Section 501(c)(3). The Foundation also reimburses the College for certain educational expenses.

Total assets of the Foundation as of June 30, 2018 were $4,703,859. The College received $331,622 from the Foundation in 2018. The Foundation owed the College $18,859 as of June 30, 2018. Complete financial statements for the Foundation can be obtained from Owens State Community College, 30335 Oregon Road, Perrysburg, OH 43551.

The following is a summary of the Foundation’s significant accounting and reporting policies presented to assist the reader in interpreting the financial statements and other data in this report.

Investments: The following tables represent information about the Foundation’s assets measured at fair value on a recurring basis at June 30, 2018 and the valuation techniques used by the Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access. Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Disclosures concerning assets measured at fair value are as follows:

Fair Value Measurements

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Mutual funds:				
Equity investments	$ 1,709,528	$ -	$ -	$ 1,709,528
Fixed-income investments	917,936	-	-	917,936
Total mutual funds	2,627,464	-	-	2,627,464
Common Stock:				
Consumer discretionary	227,994	-	-	227,994
Consumer staples	123,295	-	-	123,295
Energy/Utilities	101,791	-	-	101,791
Financial	257,492	-	-	257,492
Health care	271,388			271,388
Industrials	147,397	-	-	147,397
Materials	32,960	-	-	32,960
Real estate investment trusts	31,345			31,345
Technology	475,895			475,895
Telecommunication services	27,937	-	-	27,937
Total common stock	1,697,494	-	-	1,697,494
Money market mutual funds	161,940	-	-	161,940

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the year ended June 30, 2018, there were no transfers between levels of the fair value hierarchy.

Restrictions and Limitations on Net Asset Balances: The Foundation's temporarily restricted net position are available for the following purposes:

Gifts and other donations available for:	
Library	$ 13,923
Equipment and other program expenses	515,698
Scholarships	974,057
Total gifts and other donations	$ 1,503,678

Foundation net position were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors as follows:

Library	$ 200
Equipment and other program expenses	177,040
Scholarships	146,380
Total	$ 323,620

The Foundation's permanently restricted net position consist of endowment funds. In certain cases, the donors of these funds have restricted the use of the income from such funds for scholarships. These expenses are reflected in the appropriate program services category on the statement of activities and changes in net position. Permanently restricted net position are available for the following purposes:

Equipment and other program expenses	$ 451,276
Scholarships	1,734,903
Total	$ 2,186,179

Donor and Board-restricted Endowments: the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historical value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted new assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Net Asset Composition by Type of Fund

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment	$ -	$ 905,895	$ 2,186,179	$ 3,092,074
(Quasi) Endowment	23,342	-	-	23,342
Total funds	$ 23,342	$ 905,895	$ 2,186,179	$ 3,115,416

Changes in Endowment Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of the year	$ 22,834	$ 794,788	$ 2,088,926	$ 2,906,548
Investment return:				
Investment income	858	110,663	1,061	112,582
Net appreciation	650	108,256	280	109,186
Total investment return	1,508	218,919	1,341	221,768
Contributions	-	2,000	95,912	97,912
Appropriation of endowment assets for expenditures	(1,000)	(75,207)	-	(76,207)
Administrative fees	-	(10,471)	-	(10,471)
Other changes - Transfers to other temporarily restricted funds	-	(24,134)	-	(24,134)
Endowment net assets - End of the year	$ 23,342	$ 905,895	$ 2,186,179	$ 3,115,416

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation's spending policy stipulates that 3 percent to 6 percent of a three-year moving average of the value of the endowment is available to spend and the remaining income is to be reinvested. If an investment loss is realized, the loss is allocated entirely as currently expendable. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of CPI annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 12 – RISK MANAGEMENT

The College carries commercial insurance to cover various general liability risks, auto liability, property and boiler, and umbrella excess liability. The College believes in minimizing its risks through the procurement of the aforementioned coverage. Liabilities exceeding the umbrella excess and deductible amounts are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The amount of settlements has not exceeded insurance coverage for the year ended June 30, 2018. Management believes those incurred but not reported claims, if any, are immaterial.

The College is self-insured for certain employee health benefit programs. Funding for these programs is based on actuarial projections provided by the plan administrators. The College also offers a high deductible health savings account option for its employees. Prevention of catastrophic losses is maintained through individual stop-loss coverage. Stop loss per individual is $200,000. The College's cost during the year for this program is for the payment of claims, third-party claims administration, and stop-loss coverage. The claims liability of $657,153 reported at June 30, 2018. The amount of reserved funds available for potentials claims was $550,000 for the year.

Changes in claims activity for the past two fiscal years are as follows:

	Beginning Balance	Current Year Claims	Claim Payments	Ending Balance
2018	$ 681,063	$ 5,304,880	$ 5,328,790	$ 657,153
2017	727,875	5,703,665	5,750,477	681,063

There have been no significant changes in coverage from last year. Settled claims have not exceeded commercial coverage in any of the past three years.

The College is self-insured for workers' compensation with aggregate stop-loss coverage of $350,000. The amount accrued at June 30, 2018 for potential claims was $150,000.

NOTE 13 – CONTINGENT LIABILITIES

During the normal course of operations, the College has become a defendant in various legal actions. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. However, in the opinion of legal counsel and College management, the disposition of all pending litigation will not have a material adverse effect on the financial condition of the College.

NOTE 14 - FUNCTIONAL CLASSIFICATION OF EXPENSES

Operating expenses by functional classification for the year ended June 30, 2018 is summarized as follows:

Instructional and departmental research	$ 13,932,404
Institutional research	101,403
Public service	1,320,931
Academic support	939,390
Student services	2,671,026
Institutional support	8,600,762
Operation and maintenance of plant	4,479,983
Scholarships and other student aid	824,570
Depreciation	5,748,705
Auxiliary enterprises - net of scholarship allowances	650,829
Total operating expenses	$ 39,270,003

Required Supplementary Information

Owens State Community College
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
Last Five Fiscal Years (1) (2)

	2017	2016	2015	2014	2013
School Employees Retirement System of Ohio					
College's Proportion of the Net Pension Liability	0.410103%	0.426594%	0.502899%	0.569094%	0.569094%
College's Proportionate Share of the Net Pension Liability	$24,502,724	$31,222,758	$28,695,893	$28,801,523	$33,842,194
College's Covered Payroll	$13,210,929	$13,864,914	$16,563,087	$17,898,477	$22,076,595
College's Proportionate Share of the Net Pension Liability as a percentage of its Covered Payroll	185.47%	225.19%	173.25%	160.92%	153.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System of Ohio					
College's Proportion of the Net Pension Liability	0.17724280%	0.21071580%	0.23294102%	0.25718643%	0.25718643%
College's Proportionate Share of the Net Pension Liability	$42,104,405	$70,532,943	$64,378,084	$62,556,640	$74,517,061
College's Covered Payroll	$18,535,050	$22,869,886	$25,037,916	$27,092,103	$31,689,425
College's Proportionate Share of the Net Pension Liability as a percentage of its Covered Payroll	227.16%	308.41%	257.12%	230.90%	235.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each fiscal year were determined as of the College's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

School Employees Retirement System of Ohio
Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction of the discount rate from 7.75% to 7.50%, a reduction in the wage inflation rate from 3.25% to 3.00%, a reduction in the payroll growth assumption used from 4.00% to 3.50%, reduction in the assumed real wage growth rate from 0.75% to 0.50%, update of the rates of withdrawal, retirement and disability to reflect recent experience, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables for active members and service retired members and beneficiaries.

State Teachers Retirement System of Ohio
Change in plan assumptions. For 2017 changes in assumptions were made based upon an updated experience study that was completed for the five-year period ende June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0/25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Change in benefit terms. Effective July 1, 2017, the COLA was reduced to zero.

Owens State Community College
Required Supplementary Information
Schedule of College Contributions - Pension
Last Nine Fiscal Years (1)

	2018	2017	2016	2015	2014	2013	2012	2011	2010
School Employees Retirement System of Ohio									
Contractually Required Contribution	$ 1,652,840	$ 1,849,530	$ 1,941,088	$ 2,200,311	$ 2,391,988	$ 2,966,632	$ 2,946,869	$ 2,970,055	$ 2,865,926
Contributions in Relation to the Contractually Required Contribution	(1,652,840)	(1,849,530)	(1,941,088)	(2,200,311)	(2,391,988)	(2,966,632)	(2,946,869)	(2,970,055)	(2,865,926)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College Covered Payroll	$ 12,243,259	$ 13,210,929	$ 13,864,914	$ 16,563,087	$ 17,898,477	$ 22,076,595	$ 21,687,306	$ 21,926,900	$ 21,176,398
Contributions as a Percentage of College Covered Payroll	13.50%	14.00%	14.00%	13.28%	13.36%	13.44%	13.59%	13.55%	13.53%
State Teachers Retirement System of Ohio									
Contractually Required Contribution	$ 2,385,420	$ 2,594,907	$ 3,201,784	$ 3,425,522	$ 3,693,965	$ 4,324,994	$ 4,436,854	$ 4,852,699	$ 4,709,104
Contributions in Relation to the Contractually Required Contribution	(2,385,420)	(2,594,907)	(3,201,784)	(3,425,522)	(3,693,965)	(4,324,994)	(4,436,854)	(4,852,699)	(4,709,104)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College Covered Payroll	$ 17,038,714	$ 18,535,050	$ 22,869,886	$ 25,037,916	$ 27,092,103	$ 31,689,425	$ 32,450,613	$ 35,521,478	$ 34,315,122
Contributions as a Percentage of College Covered Payroll	14.00%	14.00%	14.00%	13.68%	13.63%	13.65%	13.67%	13.66%	13.72%

(1) Information prior to 2010 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

Owens State Community College
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net OPEB Liability
Last Two Fiscal Years (1)

	2017	2016
School Employees Retirement System of Ohio		
College's Proportion of the Net OPEB Liability	0.386167%	0.403121%
College's Proportionate Share of the Net OPEB Liability	$10,363,696	$11,490,432
College's Covered Payroll	$13,210,929	$13,864,914
College's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Payroll	78.45%	82.87%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
State Teachers Retirement System of Ohio		
College's Proportion of the Net OPEB Liability	0.17724280%	0.21071584%
College's Proportionate Share of the Net OPEB Liability	$ 6,915,360	$11,269,138
College's Covered Payroll	$18,535,050	$22,869,886
College's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Payroll	37.31%	49.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.11%	37.30%

(1) Information prior to 2017 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

Notes to Schedule:

School Employees Retirement System of Ohio

Change in assumption. Amounts reported for fiscal year 2017 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
2017 Measurement Period	3.56%
2016 Measurement Period	2.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
2017 Measurement Period	3.63%
2016 Measurement Period	2.98%

State Teachers Retirement System of Ohio

Change in assumption. For fiscal year 2017 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 electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2017 the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Owens State Community College
Required Supplementary Information
Schedule of College Contributions - OPEB
Last Three Fiscal Years (1)

	2018	2017	2016
School Employees Retirement System of Ohio			
Contractually Required Contribution (2)	$ 128,214	$ 71,738	$ 78,754
Contributions in Relation to the Contractually Required Contribution	(128,214)	(71,738)	(78,754)
Contribution Deficiency (Excess)	$ -	$ -	$ -
College Covered Payroll	$ 12,243,259	$ 13,210,929	$ 13,864,914
Contributions as a Percentage of College (2) Covered Payroll	1.05%	0.54%	0.57%
State Teachers Retirement System of Ohio			
Contractually Required Contribution	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
College Covered Payroll	$ 17,038,714	$ 18,535,050	$ 22,869,886
Contributions as a Percentage of College Covered Payroll	0.00%	0.00%	0.00%

(1) Information prior to 2016 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Includes Surcharge

Supplemental Information

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

Board of Trustees
Owens State Community College
Perrysburg, 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 Owens State Community College (the "College"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 5, 2018, wherein we noted the College adopted the provisions of GASB Statement No. 75.

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

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

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

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

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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 5, 2018

CLARK SCHAEFER HACKETT
CPAs & Advisors

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Owens State Community College
Perrysburg, Ohio

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

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

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

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

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

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

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

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 5, 2018

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant or Pass Through Number	Expenditures
U.S. Department of Education			
Title IV Program			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grant	84.007	Various	$ 241,286
Federal Work Study	84.033	Various	198,797
Federal Pell Grant	84.063	Various	11,597,131
Federal Direct Student Loans	84.268	Various	19,959,408
Total Student Financial Aid Cluster			31,996,622
TRIO Cluster:			
TRIO - Student Support Services	84.042	N/A	257,327
TRIO - Upward Bound	84.047A	N/A	86,654
TRIO - Educational Opportunity Centers	84.066A	N/A	99,739
Total TRIO Cluster			443,720
Total Title IV Program			32,440,342
Title I Program			
Passed through the State of Ohio Board of Regents			
Career and Technical Education (Perkins IV)	84.048	VECPIII-P01	286,357
Adult Basic and Literacy Education (ABLE) Program			
Passed through the State of Ohio Board of Regents			
Adult Basic and Literacy Education	84.002	074864-AB-S1-2018	638,719
Tech Prep Education Program			
Passed through the University of Toledo			
Technical Preparation	84.243	N/A	14,019
Total U.S. Department of Education			33,379,437
U.S. Department of Labor			
Passed through the Lorain County Community College			
Trade Adjustment Assistance Community College & Career Training Grants - Ohio TechNet	17.282	TC-26435-14-60-A-39	411,588
Passed through the Toledo Public Schools			
Youth CareerConnect Program	17.274	YC-25421-14-60-A39	135,171
Total U.S. Department of Labor			546,759
National Science Foundation			
Passed through the Bowling Green State University			
NSF - SEA Change:Using Social Connectivity to Improve Quantitative Literacy	47.076	DUE 152623	101,632
Total National Science Foundation			101,632
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 34,027,828

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

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

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Owens State Community College under programs of the federal government for the year ended June 30, 2018. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of the cost principles contained Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The College has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Because the Schedule presents only a selected portion of the operations of Owens State Community College, it is not intended to and does not present the financial position, changes in net position, or cash flows, if applicable, of Owens State Community College. Pass-through entity identifying numbers are presented where available. In addition, the College did not pass-through any federal awards to subreceipients during the year ended June 30, 2018.

NOTE 2 – LOAN PROGRAMS

The College originates but does not provide funding under the Direct Loan Program. The amount presented represents the value of new Direct Loans awarded by the Department of Education during the year.

Section I – Summary of Auditors' Results

<u>Financial Statements</u>

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

<u>Federal Awards</u>

Internal control over major program:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors' report issued on compliance for major federal program:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None noted

Identification of major program:

Student Financial Aid Cluster:
CFDA# 84.007 – Supplemental Educational Opportunity Grant
CFDA# 84.033 – College Work Study
CFDA# 84.063 – Pell Grant
CFDA# 84.268 – Federal Direct Student Loans

Dollar threshold to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

Section IV – Summary of Prior Audit Findings and Questioned Costs

None noted

Dave Yost • Auditor of State

OWENS STATE COMMUNITY COLLEGE

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 8, 2018