Owens State Community College

Financial Statements

June 30, 2019 and 2018

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

OHIO AUDITOR OF STATE
KEITH FABER

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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, 2018 through June 30, 2019. 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.

Keith Faber
Auditor of State
Columbus, Ohio

October 21, 2019

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Owens State Community College

Contents

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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 years ended June 30, 2019 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the College, as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of the College's pension and OPEB amounts and 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 awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 11, 2019 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 11, 2019

Owens State Community College

Management's Discussion and Analysis - Unaudited

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, 2019 with comparative information for the years ended June 30, 2018 and 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.

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 2019, 2018, and 2017 are shown below. Net position in aggregate increased $19,483,644 from fiscal year 2018 to fiscal year 2019 and increased $39,065,786 from fiscal year 2017 to fiscal year 2018. In fiscal year ended June 30, 2019, the College's revenues increased due to rental income and contracted institution increases.

	Net Investment In Capital Assets	Unrestricted	Total Net Position
FY 2019	$ 79,375,685	$ (46,397,593)	32,978,092
FY 2018	80,404,911	(66,910,463)	13,494,448
FY 2017	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, 2019, 2018, and 2017 follows:

	June 30		
	2019	2018	2017
Assets			
Current assets	$ 29,202,362	$ 27,926,483	$ 24,794,350
Capital assets	79,375,685	80,714,911	81,053,895
Other noncurrent assets	14,663,980	7,486,063	1,032,964
Total assets	123,242,027	116,127,457	106,881,209
Deferred Outflows of Resources	13,340,386	17,721,810	18,303,012
Liabilities			
Current liabilities	10,005,958	11,438,064	11,049,553
Noncurrent liabilities	67,022,680	85,872,723	126,812,820
Total liabilities	77,028,638	97,310,787	137,862,373
Deferred Inflows of Resources	26,575,683	23,044,032	12,893,186
Net Position			
Net investment in capital assets	79,375,685	80,404,911	79,859,089
Unrestricted	(46,397,593)	(66,910,463)	(105,430,427)
Total net position	**$ 32,978,092**	**$ 13,494,448**	**$ (25,571,338)**

2019 Variances

Current assets increased by $1,275,879 from 2018 to 2019 primarily due to an increase in investments. Capital assets decreased by $1,339,226 due to capital asset depreciation offset by capital asset purchases. Noncurrent assets increased $7,177,917 due to an increase in investments as well as the addition of a net OPEB asset. Current liabilities decreased by $1,432,106 from 2018 to 2019 primarily due to decreases in unearned revenue and the elimination of notes payable. The noncurrent liabilities decreased by $18,850,043 due to a decrease in net pension and OPEB liabilities. Net position increased from 2018 to 2019 primarily due to decreases in the pension liabilities of $11,167,170 and other postemployment benefit liabilities of $7,820,131.

2018 Variances

Current assets increased by $3,132,133 from 2017 to 2018 primarily due to an increase in investments. Capital assets decreased by $338,984 due to capital asset depreciation offset by capital asset purchases. Noncurrent assets increased $6,453,099 due to purchase of investments and changes in the composition of the College’s investment portfolio. 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 to 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, 2019, 2018, and 2017. Information necessary to restate 2017 activity for implementation of GASB 75 was not available (OPEB expense) and therefore 2017 amounts were not fully revised due to GASB 75 implementation.

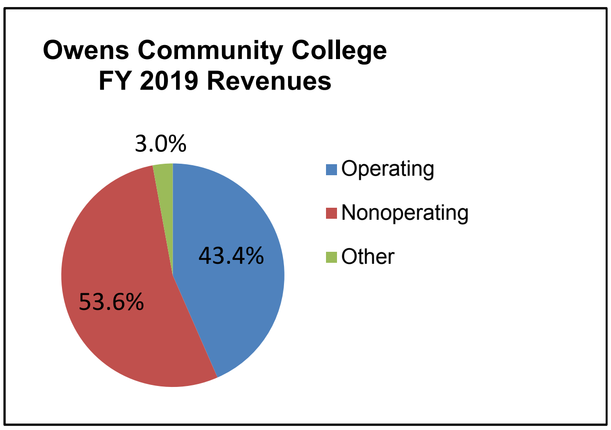
	Year Ended June 30		
	2019	2018	2017
Operating Revenue			
Student tuition and fees	$ 27,898,951	$ 26,357,831	$ 23,642,554
Grants - Federal, state, and local	2,668,544	3,207,528	3,269,808
Sales and service	1,495,352	659,413	622,070
Auxiliary activities	729,369	888,966	1,115,709
Other operating revenue	391,528	425,963	142,617
Total operating revenue	33,183,744	31,539,701	28,792,758
Operating Expenses			
Educational and general	50,620,702	32,870,469	61,892,236
Depreciation	5,776,178	5,748,705	5,591,561
Auxiliary enterprises	504,480	650,829	496,580
Total operating expenses	56,901,360	39,270,003	67,980,377
Operating Loss	(23,717,616)	(7,730,302)	(39,187,619)
Nonoperating Revenuse (Expenses)			
State appropriations	28,935,666	30,082,339	31,884,220
Pell grants	10,733,461	11,597,131	12,329,138
Investment income	1,284,979	571,617	451,273
Interest expense	(4,381)	(17,451)	(33,856)
Total nonoperating revenues (expenses)	40,949,725	42,233,636	44,630,775
Income Before Other Revenue	17,232,109	34,503,334	5,443,156
Capital Appropriations and Grants	2,251,535	4,562,452	3,537,519
Increase in Net Position	19,483,644	39,065,786	8,980,675
Net Position - Beginning of year	13,494,448	(25,571,338)	N/A
Net Position - End of year	**$ 32,978,092**	**$ 13,494,448**	**$ (25,571,338)**

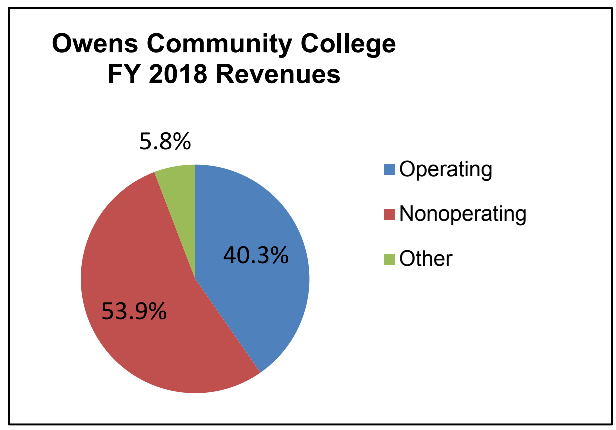
Statement of Revenue, Expenses, and Changes in Net Position

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.

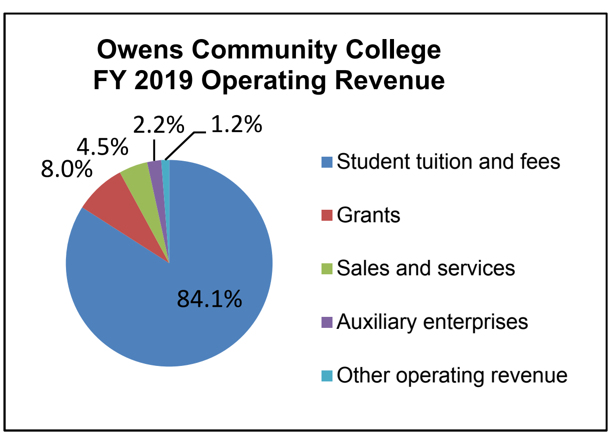
Operating Revenue

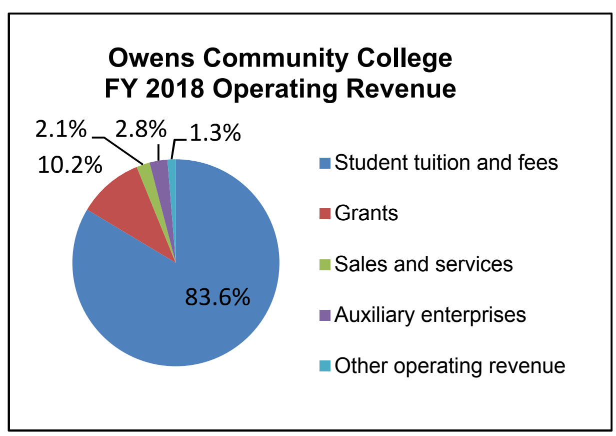
The charts below present total revenue by category for the fiscal years ended June 30, 2019 and 2018:





The charts below reflect the College's operating revenue for the fiscal years ended June 30, 2019 and 2018:





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. On November 8, 2017, the Board approved an increase of in-state instructional tuition to the allowable amount, as provided by the State of Ohio Budget, effective for Summer Semester 2018, fiscal year 2019. The State allowed a $10.00 increase per credit hour.

Gross student tuition and fees revenue increased in both fiscal year 2019 and 2018. Gross tuition and fees were $38,907,803 and $38,023,291 in fiscal years 2019 and 2018, respectively.

Scholarship allowances decreased while scholarship dollars per FTE have increased. For 2019, scholarship allowances totaled $11,008,852 and scholarship dollars per FTE were $2,177. For 2018, scholarship allowances totaled $11,665,460 and scholarship dollars per FTE were $2,152.

Grant revenue decreased in fiscal year 2019 by $538,984. The decrease in grant revenue for fiscal year 2019 was due to the timing of new grants beginning and existing grants ending during the year.

Auxiliary service activities (including 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 $28,935,666 and $30,082,339, in fiscal years 2019 and 2018, respectively. The State share of instruction was $5,721 and $5,549 per FTE for fiscal years 2019 and 2018, respectively. Another component of nonoperating revenue is investment income. In 2019, investment income increased by $713,362 in comparison to 2018. 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 2019 by $863,670 compared to fiscal year 2018. 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 2019 the College saw savings in salaries and benefits largely due to vacancies. During fiscal year 2019, 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 $3,397,589 and $5,879,546, respectively, in operating expenses during the year, compared to negative pension and OPEB expense of $23,675,201 and $2,055,363, respectively, in operating expenses during the prior year. This is a result of the College recognizing 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 2019, 2018, and 2017 was $5,776,178, $5,748,705, and $5,591,561 respectively.

Capital Assets

At June 30, 2019, 2018, and 2017, the College had $79,375,685, $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, 2019, 2018, and 2017 are shown below:

	2019	2018	2017
Land and land improvements	$ 37,858,284	$ 38,489,457	$ 38,483,994
Buildings	121,213,854	119,905,019	115,419,827
Equipment	26,701,386	25,229,189	23,988,158
Leasehold improvements	488,773	488,773	488,733
Less accumulated depreciation	(110,022,961)	(104,551,127)	(98,934,124)
Net of depreciation	76,239,336	79,561,311	79,446,588
Construction in progress	3,136,349	1,153,600	1,607,307
Total	$ 79,375,685	$ 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, 2019, 2018, and 2017 was $0, $310,000 and $1,194,806, respectively, with the debt relating to the energy efficiency program.

Capital Projects

In fiscal year 2019, the College completed the Administration Hall water infiltration project, HVAC projects for the Student Health and Activities Center, Founders Hall, College Hall and Math Science, completed a renovation on the Alumni Hall west roof, and purchased HVAC equipment for the Advanced Manufacturing Training Center (AMTC) project. The College began the campus security project installing cameras and access control on both campuses, began the roof renovation of the AMTC and started phase one construction of the AMTC.

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, 2019, 2018, and 2017 are as follows:

	Year Ended June 30		
	2019	2018	2017
Cash Flows from Operating Activities			
Student tuition and fees	$ 27,258,371	$ 26,350,349	$ 29,541,373
Grants - Federal, state, and local	2,757,016	3,207,528	3,269,808
Payments to employees, suppliers, students, and others	(64,735,291)	(61,865,497)	(68,844,511)
Auxiliary enterprises	729,369	926,309	1,115,709
Sales and services	1,495,352	622,070	622,070
Other receipts	389,528	416,080	1,065,824
Net cash used in operating activities	(32,105,655)	(30,343,161)	(33,229,727)
Cash Flows from Noncapital Financing Activities			
Pell grants	10,733,461	11,597,131	12,329,138
State appropriations	28,935,666	30,082,339	31,884,220
Agency transactions	(35,934)	47,932	56,060
Net cash provided by noncapital financing activities	39,633,193	41,727,402	44,269,418
Cash Flows from Capital and Related Financing Activities			
Principal payments on notes payable	(310,000)	(884,806)	(1,032,308)
Capital appropriations and grants	2,253,572	4,562,452	3,537,519
Interest paid on notes payable	(4,381)	(17,451)	(33,856)
Purchases of capital assets	(4,476,884)	(5,803,788)	(3,694,504)
Proceeds from sale of capital assets	2,000	20,776	927,424
Net cash used in capital and related financing activities	(2,535,693)	(2,122,817)	(295,725)
Cash Flows from Investing Activities			
Interest on investments	1,242,713	571,617	451,273
Net change in investments	(8,285,709)	(15,568,700)	(6,205,601)
Net cash provided (used) by investing activities	(7,042,996)	(14,997,083)	(5,754,328)
Net Increase (Decrease) in Cash	(2,051,151)	(5,735,659)	4,989,638
Cash - Beginning of year	4,762,890	10,498,549	5,508,911
Cash - End of year	**$ 2,711,739**	**$ 4,762,890**	**$ 10,498,549**

Cash used in operating activities for fiscal year 2019 increased over 2018 due primarily to an increase 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 a decrease in capital appropriations and grants offset by a decrease in purchases of capital assets. Cash flows from investing activities increased during the fiscal year primarily due to a decrease in net change in investments.

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. Last fall, the College embarked on a strategic planning process which engaged internal and external stakeholders. This fall, the College has begun putting that plan into action through the development of KPIs and measures. We also adopted a new mission and vision statement which we are promoting internally and externally. We continue to work with advisory boards and regional partners to identify needed programming, training and training facilities for the region.

As an indispensable partner, the College addresses the needs of the community with relevant academic programs and training to prepare students and skilled workers. The College has embarked on a renovation of a 50,000 square foot facility into an Advanced Manufacturing Training Center (AMTC) to be completed during Summer 2020. The AMTC will increase the College's capacity to credential students in skilled trades, manufacturing and advance technologies while addressing region's needs for qualified, skilled employees.

The College continues to partner with local, regional, and national partners to assist in cultivating and preparing their workforces. We have strengthened our partnerships with Dana and First Solar through credit and non-credit training including cohorted and on-site programming. This Fall semester we begin the first cohort of students all of whom are sponsored and employed by Ball, Cooper Tire, GSW Manufacturing, Nissin, Rowmark, Simona PMC, and Veoneer-Nissin Brake Systems.

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.

The College approved the Start Here Scholarship Program in Fall 2018, for implementation in Fall 2019. The Start Here Scholarship will allow students with a successful College Credit Plus experience with the College to continue on their academic path, earn their degree or certificate, and then transfer to a 4-year partner or enter the workforce while earning a scholarship that covers the cost of tuition. This will help recruit successful students, require full time enrollment and encourage completion. This would be a 'last dollar' tuition only scholarship for students.

Owens State Community College

Statements of Net Position

	June 30 2019	June 30 2018
Current Assets		
Cash and cash equivalents (Note 2)	$ 2,711,739	$ 4,762,890
Investments (Note 3)	20,757,516	17,113,624
Accounts receivable - Net (Note 5)	5,376,366	4,775,199
Receivable from Foundation (Note 10)	10,029	18,859
Prepaid expenses and deferred charges	346,712	1,255,911
Total current assets	29,202,362	27,926,483
Noncurrent Assets		
Investments (Note 3)	12,085,596	7,443,779
Capital assets - Net (Note 6)	79,375,685	80,714,911
Net OPEB asset (Note 9)	2,536,100	-
Student loans receivable - Net	42,284	42,284
Total noncurrent assets	94,039,665	88,200,974
Total assets	123,242,027	116,127,457
Deferred Outflows of Resources		
Pensions (Note 8)	12,773,647	17,194,398
OPEB (Note 9)	566,739	527,412
Total deferred outflows of resources	13,340,386	17,721,810
Current Liabilities		
Accounts payable	2,329,792	2,135,013
Notes payable (Note 7)	-	310,000
Salaries, wages, and fringe benefits payable	4,860,285	5,153,251
Unearned revenue	2,449,946	3,437,931
Deposits held for others	365,935	401,869
Total current liabilities	10,005,958	11,438,064
Noncurrent Liabilities		
Benefits payable	1,976,472	1,839,214
Net pension liability (Note 8)	55,439,959	66,607,129
Net OPEB liability (Note 9)	9,458,925	17,279,056
Non-federal student loans	147,324	147,324
Total noncurrent liabilities	67,022,680	85,872,723
Total liabilities	77,028,638	97,310,787
Deferred Inflows of Resources		
Pensions (Note 8)	18,423,177	19,291,421
OPEB (Note 9)	8,152,506	3,752,611
Total deferred inflows of resources	26,575,683	23,044,032
Net Position		
Net investment in capital assets	79,375,685	80,404,911
Unrestricted	(46,397,593)	(66,910,463)
Total net position	**$ 32,978,092**	**$ 13,494,448**

See notes to Financial Statements.

Owens State Community College

Statements of Revenue, Expenses and Change in Net Position

	Year Ended June 30	
	2019	2018
Revenues		
Operating revenues:		
Student tuition and fees - Net of scholarship allowances of $11,008,852 (2019) and $11,665,460 (2018)	$ 27,898,951	$ 26,357,831
Grants - Federal, state, and local	2,668,544	3,207,528
Sales and services	1,495,352	659,413
Auxiliary enterprises - Net of scholarship allowances of $222,639 (2019) and $355,893 (2018)	729,369	888,966
Other operating revenues	391,528	425,963
Total operating revenues	33,183,744	31,539,701
Expenses		
Operating expense:		
Salaries, wages and benefits	31,961,772	15,051,049
Supplies	4,536,679	4,290,612
Travel, entertainment and professional development	533,637	454,421
Information and communication	1,726,976	1,856,298
Occupancy	4,310,682	3,983,024
Cost of goods sold	30,643	22,270
Outside services	7,399,101	6,980,449
Scholarships and other student aid	366,360	612,827
Depreciation	5,776,178	5,748,705
Other	259,332	270,348
Total operating expenses	56,901,360	39,270,003
Operating Loss	(23,717,616)	(7,730,302)
Nonoperating Revenues (Expenses)		
State appropriations	28,935,666	30,082,339
Investment income	1,284,979	571,617
Interest on debt	(4,381)	(17,451)
Pell grants	10,733,461	11,597,131
Net nonoperating revenues (expenses)	40,949,725	42,233,636
Income Before Other Revenues	17,232,109	34,503,334
Other Revenues		
Capital appropriations	2,174,963	4,549,985
Capital grants	76,572	12,467
Total other revenues	2,251,535	4,562,452
Increase in Net Position	19,483,644	39,065,786
Net Position (Deficit)		
Beginning of year	13,494,448	(25,571,338)
End of year	**$ 32,978,092**	**$ 13,494,448**

See notes to Financial Statements.

Owens State Community College

Statements of Cash Flows

	Year Ended June 30	
	2019	2018
Cash Flows from Operating Activities		
Student tuition and fees	$ 27,258,371	$ 26,350,349
Grants - Federal, state, and local	2,757,016	3,207,528
Payments to employees, suppliers, students, and others	(64,735,291)	(61,865,497)
Auxiliary enterprises	729,369	926,309
Sales and services	1,495,352	622,070
Other receipts	389,528	416,080
Net cash used in operating activities	(32,105,655)	(30,343,161)
Cash Flows from Noncapital Financing Activities		
Pell grants	10,733,461	11,597,131
State appropriations	28,935,666	30,082,339
Agency transactions	(35,934)	47,932
Net cash provided by noncapital financing activities	39,633,193	41,727,402
Cash Flows from Capital and Related Financing Activities		
Principal payments on notes payable	(310,000)	(884,806)
Capital appropriations and grants	2,253,572	4,562,452
Interest paid on notes payable	(4,381)	(17,451)
Purchases of capital assets	(4,476,884)	(5,803,788)
Proceeds from sale of capital assets	2,000	20,776
Net cash used in capital and related financing activities	(2,535,693)	(2,122,817)
Cash Flows from Investing Activities		
Interest on investments	1,242,713	571,617
Net change in investments	(8,285,709)	(15,568,700)
Net cash used in investing activities	(7,042,996)	(14,997,083)
Net Decrease in Cash and Cash Equivelents	(2,051,151)	(5,735,659)
Cash and Cash Equivalents - Beginning of year	4,762,890	10,498,549
Cash and Cash Equivalents - End of year	**$ 2,711,739**	**$ 4,762,890**

(continued)

See notes to Financial Statements.

Owens State Community College

Statements of Cash Flows (Continued)

	Year Ended June 30	
	2019	2018
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (23,717,616)	$ (7,730,302)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	5,776,178	5,748,705
(Gain)/Loss on sale of capital assets	332,529	(20,776)
Changes in assets and liabilities:		
Receivables - Net	(552,108)	(7,482)
Prepaid expenses and deferred charges	909,199	244,398
Net OPEB asset	(2,536,100)	-
Student loans receivable - Net	-	10,893
Deferred outflows of resources	4,381,424	581,202
Accounts payable	(99,818)	575,560
Salaries, wages, and benefits payable	(155,708)	241,945
Net pension liability	(11,167,170)	(35,148,572)
Net OPEB liability	(7,820,131)	(5,480,514)
Deferred inflows of resources	3,531,651	10,150,846
Unearned revenue	(987,985)	490,936
Net cash used in operating activities	**$ (32,105,655)**	**$ (30,343,161)**
Noncash capital and related financing activities:		
Purchase of capital assets financed through accounts payable	$ 298,185	$ 3,588

See notes to Financial Statements.

Owens State Community College

Statements of Financial Position
Discretely Presented Component Unit – Foundation

	June 30	
	2019	2018
Assets		
Cash and cash equivalents	$ 583,460	$ 341,730
Investments	4,593,950	4,324,958
Pledges receivable	14,411	37,171
Total assets	$ 5,191,821	$ 4,703,859
Liabilities and Net Assets		
Liabilities		
Due to Owens State Community College	$ 10,029	$ 18,859
Funds in custody (agency funds)	71,306	78,614
Total liabilities	81,335	97,473
Net Assets		
Without donor restrictions	1,205,555	916,529
With donor restrictions	3,904,931	3,689,857
Total net assets	5,110,486	4,606,386
Total liabilities and net assets	$ 5,191,821	$ 4,703,859

See notes to Financial Statements.

Owens State Community College

Statements of Activities and Change in Net Assets
Discretely Presented Component Unit – Foundation

	June 30	
	2019	2018
Revenue and Support		
Donations received	$ 600,359	$ 704,085
Investment income:		
Interest and dividend income	91,885	82,018
Unrealized gain/(loss) on investments	(143,923)	190,815
Realized gain on investments	350,854	64,634
Grant Revenue	-	55,149
Total revenue and support	899,175	1,096,701
Expenses		
Program services:		
Scholarships	206,473	153,834
Equipment Grant	76,572	38,010
Outside grants expense	-	55,149
Other program services	68,425	84,629
Total program services	351,470	331,622
Management and general	34,505	26,594
Fund-raising	9,100	18,769
Total expenses	395,075	376,985
Change in Net Assets	504,100	719,716
Net Assets - Beginning of year	4,606,386	3,886,670
Net Assets - End of year	**$ 5,110,486**	**$ 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 $351,470 and $331,622 during fiscal years 2019 and 2018, respectively, 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 acquisition 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 8 and 9.

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 8 and 9).

Pensions/Other Postemployment Benefits (OPEB)

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

Adoption of New Accounting Pronouncements

For the fiscal year ended June 30, 2019, the College implemented GASB Statements No. 83, *Certain Asset Retirement Obligations* and No. 88, *Certain Disclosures Related Debt, Including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 establishes uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported, including certain required disclosures related to AROs. GASB Statement No. 83 did not impact the College's financial statements since the College does have any material asset retirement obligations that meet the criteria of this statement.

GASB Statement No. 88 improves financial reporting by enhancing the disclosures in the notes to the financial statements related to debt obligations, including direct borrowings and direct placements. The Standard also establishes uniform guidance in determining debt obligations for disclosure purposes. The College implemented the applicable requirements of GASB Statement No. 88 in fiscal year 2019 with no significant impact to the financial statements.

Upcoming Accounting Pronouncements

GASB Statement No. 87, *Leases*, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of GASB Statement No. 87 are effective for fiscal year 2021. The College is currently evaluating the impact GASB Statement No. 87 may have on its financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* was issued to enhance the relevance and comparability of information about capital assets and the costs of borrowing for a period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB Statement No. 89 are effective for fiscal year 2021. The College is currently evaluating the impact GASB Statement No. 89 may have on its financial statements.

GASB Statement No. 90, *Majority Equity Interests—an Amendment of GASB Statement No.14 and No.61*, was issued to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of GASB Statement No. 90 are effective for fiscal year 2020. The College is currently evaluating the impact GASB Statement No. 90 may have on its financial statements.

NOTE 2 – 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 College and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At June 30, 2019 and 2018, the carrying amount of the College's cash and cash equivalents for all funds is $2,711,739 and $4,762,890 and the bank balances were $4,116,008 and $5,693,974, all respectively. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the June 30, 2019 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 3 – INVESTMENTS

At June 30, 2019 and 2018, the College had amounts on deposit with STAR Ohio, with a fair value of $17,305,366 and $15,137,741, respectively. 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, 2019, 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	$ 8,279,531	$ 3,452,150	$ 2,622,499	$ 2,204,882
U.S. Treasury/Agency Securities	7,258,215	-	2,675,234	4,582,981
Star Ohio	17,305,366	17,305,366	-	-
	$ 32,843,112	$ 20,757,516	$ 5,297,733	$ 6,787,863

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

As of June 30, 2019 and 2018, the College's investments include $7,258,215 and $987,110, respectively, 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 are as follows:

	2019	2018
Bond mutual funds	$ 224,131	$ 917,936
Equity mutual funds	1,149,964	1,709,528
Common stocks	2,664,419	1,697,494
Corporate bonds	555,436	-
Total	$ 4,593,950	$ 4,324,958

NOTE 4 – 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, 2019				
Assets:				
Negotiable certificates of deposit	$ 8,279,531	8,279,531	-	-
U.S. Treasury/Agency Securities	7,258,215	7,258,215	-	-
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 $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

NOTE 5 – ACCOUNTS RECEIVABLE

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

	2019	2018
Student receivables for fees and auxiliary services	$ 6,118,242	$ 5,467,920
Allowance for doubtful accounts	(1,100,912)	(1,100,000)
Grants - federal, state and local	273,557	362,029
Capital appropriations	1,551	3,588
Interest receivable	83,928	41,662
	$ 5,376,366	$ 4,775,199

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in the capital assets and related accumulated depreciation during the 2019 and 2018 fiscal years:

	Balance June 30, 2018	Additions	Retirements/ Transfers	Balance June 30, 2019
Nondepreciated capital assets:				
Land	$ 9,907,728	-	-	$ 9,907,728
Construction in progress	1,153,600	3,136,349	(1,153,600)	3,136,349
Total nondepreciated capital assets	11,061,328	3,136,349	(1,153,600)	13,044,077
Depreciable capital assets:				
Land improvements	28,581,729	-	(631,173)	27,950,556
Buildings and improvements	120,393,792	1,308,835	-	121,702,627
Equipment	25,229,189	1,479,897	(7,700)	26,701,386
Total other capital assets	174,204,710	2,788,732	(638,873)	176,354,569
Less: Accumulated Depreciation	(104,551,127)	(5,776,178)	304,344	(110,022,961)
Total Depreciable Assets, net	69,653,583	(2,987,446)	(334,529)	66,331,608
Capital Assets, net	$ 80,714,911	148,903	(1,488,129)	$ 79,375,685

The College has active construction projects resulting in total commitments to vendors of approximately $298,185 at June 30, 2019.

	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 7 – NONCURRENT LIABILITIES

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 matured on March 15, 2019.

Long-term liabilities consist of the following for the years ended June 30, 2019 and 2018:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Amount Due Within One Year	Noncurrent Portion
Compensated absences	$ 1,936,015	$ 283,817	$ 139,335	$ 2,080,497	$ 104,025	$ 1,976,472
Notes and leases payable	310,000	-	310,000	-	-	-
Net pension liability	66,607,129	-	11,167,170	55,439,959	-	55,439,959
Net OPEB liability	17,279,056		7,820,131	9,458,925	-	9,458,925
Non-federal student loans	147,324	-	-	147,324	-	147,324
	$ 86,279,524	$ 283,817	$ 19,436,636	$ 67,126,705	$ 104,025	$ 67,022,680

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Amount Due Within One Year	Noncurrent Portion
Compensated absences	$ 1,937,079	$ 386,352	$ 387,416	$ 1,936,015	$ 96,801	$ 1,839,214
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	-	66,607,129
Net OPEB liability	22,759,570		5,480,514	17,279,056	-	17,279,056
Non-federal student loans	147,324	-	-	147,324	-	147,324
	$ 127,794,480	$ 386,352	$ 41,901,308	$ 86,279,524	$ 406,801	$ 85,872,723

NOTE 8 – 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	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, 2019, 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 $1,681,605 and $1,652,840 for fiscal year 2019 and 2018, respectively. Of this amount, $63,344 and $65,574 is reported in salaries, wages and fringe benefits payable for fiscal years 2019 and 2018, respectively.

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. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% 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 contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of 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 or later.

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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has 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, 2019, 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 2019 contribution rates were equal to the statutory maximum rates.

The College’s contractually required contribution to STRS was approximately $2,535,469 and $2,385,420 for fiscal year 2019 and 2018, respectively. Of this amount, $95,644 and $97,813 is reported in salaries, wages and fringe benefits payable for fiscal years 2019 and 2018, respectively.

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

The net pension liability reported at June 30, 2019 and 2018 was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the projected contributions of all participating entities. The following is information related to the College's proportionate share, pension expense, and deferred inflows and outflows for fiscal years 2019 and 2018:

Fiscal Year 2019	SERS	STRS	Total
Proportionate Share of Net Pension Liability	$ 20,737,608	$ 34,702,351	$ 55,439,959
Proportion of Net Pension Liability	0.362090745%	0.157825810%	
Change in Proportion	-0.048011840%	-0.019416986%	
Pension Expense (Negative)	$ (1,544,223)	$ (1,853,366)	$ (3,397,589)
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 1,137,327	$ 801,036	$ 1,938,363
Change in assumptions	468,300	6,149,910	6,618,210
College contributions subsequent to the measurement date	1,681,605	2,535,469	4,217,074
	$ 3,287,232	$ 9,486,415	$ 12,773,647
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ (226,626)	$ (226,626)
Net difference between projected and actual earnings on pension plan investments	(574,576)	(2,104,313)	(2,678,889)
Change in the College's proportionate share and difference in employer contributions	(3,011,316)	(12,506,346)	(15,517,662)
	$ (3,585,892)	$ (14,837,285)	$ (18,423,177)

Fiscal Year 2018	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)

$4,217,074 reported as deferred outflows of resources related to pension at June 30, 2019 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, 2020. 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:			
2020	$ (727,921)	$ (2,143,625)	$ (2,871,546)
2021	(395,575)	(2,009,778)	(2,405,353)
2022	(680,553)	(2,534,441)	(3,214,994)
2023	(176,216)	(1,198,495)	(1,374,711)
	$ (1,980,265)	$ (7,886,339)	$ (9,866,604)

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 valuations, prepared as of June 30, 2018 and 2017, are presented below:

Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	2.50% on and after April 1, 2018, COLA's for future retirees will be delayed for three years following retirement
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 for active members. 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 ending 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 for fiscal years 2019 and 2018 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 Assets	15.00	5.00
Multi-Asset 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%)
Fiscal Year 2019			
College's proportionate share of the net pension liability	$ 29,210,484	$ 20,737,608	$ 13,633,668
Fiscal Year 2018			
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 in the July 1, 2018 and 2017 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Investment rate of return	7.45%, net of investment expenses, including inflation
Discount rate of return	7.45%
Cost-of-living adjustments (COLA)	0%

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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, 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.

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 for fiscal years 2019 and 2018 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, 2018. 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. 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, 2018. 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, 2018.

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:

Fiscal Year 2019	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net pension liability	$ 50,678,217	$ 34,702,351	$ 21,180,950
Fiscal Year 2018			
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, 2019 and 2018, were $232,090 and $242,408, respectively.

NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Net OPEB Liability (Asset)

The net OPEB liability (asset) reported on the statement of net position represents a liability to (or assets for) 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 (asset) 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 (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, 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 manner in which 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 (asset). Resulting adjustments to the net OPEB liability (asset) 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* or fully-funded benefits as a long-term *net OPEB asset* on the accrual basis of accounting. Any liability for contractually-required OPEB contributions outstanding at the end of the fiscal year is included 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 years 2019 and 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 years 2019 and 2018, the minimum compensation amount was $21,600 and $23,700, respectively. 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 years 2019 and 2018, the College's surcharge obligation was $53,835 and $66,998, respectively.

The surcharge, added to the 0.5% allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College's contractually required contribution to SERS was $116,117 and $128,214 for fiscal years 2019 and 2018, respectively. Of this amount, $2,346 and $2,429 is reported in salaries, wages and fringe benefits payable for fiscal years 2019 and 2018, respectively.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. 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 years ended June 30, 2019 and 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB (Assets) 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, 2018 and 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:

Fiscal Year 2019	SERS	STRS	Total
Proportionate Share of Net OPEB Liability (Asset)	$ 9,458,925	$ (2,536,100)	$ 6,922,825
Proportion of Net OPEB Liability (Asset)	0.340951847%	0.157825810%	
Change in Proportion	-0.045214710%	-0.019416986%	
OPEB Expense (Negative)	$ (7,749)	$ (5,871,797)	$ (5,879,546)
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 154,402	$ 296,220	$ 450,622
College contributions subsequent to the measurement date	116,117	-	116,117
	$ 270,519	$ 296,220	$ 566,739
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ (147,762)	$ (147,762)
Net difference between projected and actual earnings on OPEB plan investments	(14,191)	(289,728)	(303,919)
Change in assumptions	(849,813)	(3,455,637)	(4,305,450)
Change in the College's proportionate share and difference in employer contributions	(1,424,767)	(1,970,608)	(3,395,375)
	$ (2,288,771)	$ (5,863,735)	$ (8,152,506)

Fiscal Year 2018	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)

$116,117 reported as deferred outflows of resources related to OPEB 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, 2020. 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:			
2020	$ (695,929)	$ (1,015,040)	$ (1,710,969)
2021	(589,577)	(1,015,040)	(1,604,617)
2022	(252,797)	(1,015,040)	(1,267,837)
2023	(246,756)	(949,240)	(1,195,996)
2024	(247,739)	(926,160)	(1,173,899)
2025	(101,571)	(646,995)	(748,566)
	$ (2,134,369)	$ (5,567,515)	$ (7,701,884)

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 OPEB liability in the latest actuarial valuations, prepared as of June 30, 2018 and 2017, are presented below:

	June 30, 2018	June 30, 2017
Investment Rate of Return	7.50% net of investment expense, including inflation	7.50% net of investment expense, including inflation
Wage Inflation	3.00%	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%	3.50% to 18.20%
Municipal Bond Index Rate:		
Prior Measurement Date	3.56%	2.92%
Measurement Date	3.62%	3.56%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:		
Prior Measurement Date	3.63%	2.98%
Measurement Date	3.70%	3.63%
Medical Trend Assumption:		
Pre-Medicare	7.25% - 4.75%	7.50% - 5.00%
Medicare	5.375% - 4.75%	5.50% - 5.00%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. PR-2000 Disabled Mortality Table with 90% for males rate and 100% for female rates set back five years.

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, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. 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 3.62% as of June 30, 2018 (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 Health Care Cost Trend Rates – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability for fiscal years 2019 and 2018, calculated using the discount rate of 3.70% and 3.63%, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70% and 2.63%) and one percentage point higher (4.70% and 4.63%) than the current rate, all respectively.

Fiscal Year 2019	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
College's proportionate share of the net OPEB liability	$ 11,477,662	$ 9,458,925	$ 7,860,464

Fiscal Year 2018	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 current health care cost trend rates, as well as what the College's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point and one percentage point higher than the current rates.

Fiscal Year 2019	1% Decrease (6.25% decreasing (to 3.75%)	Current Trend Rate (7.25% decreasing (to 4.75%)	1% Increase (8.25% decreasing (to 5.75%)
College's proportionate share of the net OPEB liability	$ 7,631,617	$ 9,458,925	$ 7,860,464

Fiscal Year 2018	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

The total OPEB asset in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment rate of return	7.45%, net of investment expenses, including inflation	
Discount rate of return	7.45%	
Health care cost trends	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

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

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, 2018 and 2017 valuations 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 4.13% to 7.45% based on the methodology defined under GASB Statement No. 74*, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

STRS Ohio's 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%, but does not include investment expenses. Over a 30-year period, STRS Ohio's 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 (asset) was 7.45% and 4.13% as of June 30, 2018 and 2017, respectively. 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 projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45% was used to measure the total OPEB asset as of June 30, 2018. A blended discount rate of 4.13%, which represents a long-term expected rate of return of 7.45% for the funded benefit payments and a 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.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate and the Health Care Cost Trend Rates – The following table presents the College's proportionate share of the net OPEB liability (asset) for fiscal years 2019 and 2018, calculated using the current period discount rate assumption of 7.45% and 4.13%, as well as what the College's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45% and 3.13%) and one percentage point higher (8.45% and 5.13%) than the current rate, all respectively. Also shown is the net OPEB liability (asset) as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

Fiscal Year 2019	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net OPEB asset	$ (2,173,675)	$ (2,536,100)	$ (2,840,700)

Fiscal Year 2018	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
Fiscal Year 2019			
College's proportionate share of the net OPEB asset	$ (2,823,505)	$ (2,536,100)	$ (2,244,217)
Fiscal Year 2018			
College's proportionate share of the net OPEB liability	$ 4,804,496	$ 6,915,360	$ 9,693,504

NOTE 10 - 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, 2019 and 2018 were $5,191,821 and $4,703,859, respectively. The College received $337,612 and $331,622 from the Foundation in 2019 and 2018, respectively. The Foundation owed the College $10,029 and $18,859 as of June 30, 2019 and 2018, respectively. 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, 2019 and 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 at June 30, 2019

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, 2019
Mutual funds:				
Equity investments	$ 1,149,964	$ -	$ -	$ 1,149,964
Fixed-income investments	224,131	-	-	224,131
Total mutual funds	1,374,095	-	-	1,374,095
Common Stock:				
Consumer discretionary	344,174	-	-	344,174
Consumer staples	280,945	-	-	280,945
Energy/Utilities	276,372	-	-	276,372
Financial	407,911	-	-	407,911
Health care	398,030	-	-	398,030
Industrials	242,289	-	-	242,289
Materials	45,016	-	-	45,016
Technology	639,121	-	-	639,121
Telecommunication services	30,561	-	-	30,561
Total common stock	2,664,419	-	-	2,664,419
Corporate Bonds	555,436	-	-	555,436
Money market mutual funds	379,414	-	-	379,414

Fair Value Measurements at June 30, 2018

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 years ended June 30, 2019 and 2018, there were no transfers between levels of the fair value hierarchy.

Restrictions and Limitations on Net Asset Balances: The Foundation's net assets with donor restrictions are restricted for the following purposes at June 30:

Gifts and other donations available for:	2019	2018
Subject to expenditures for a specific purpose:		
Library	$ 12,950	$ 13,923
Equipment and other program expenses	521,880	493,187
Scholarships	1,034,956	996,568
Donor-restricted endowment	1,569,786	1,503,678
Other funds restricted by donor in perpetuity:		
Equipment and other program expenses	459,326	434,276
Scholarships	1,875,819	1,751,903
Funds restricted in perpetuity	2,335,145	2,186,179
Net assets with donor restrictions	$3,904,931	$3,689,857

Net assets held in perpetuity 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 assets.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors as follows:

	2019	2018
Library	$ 1,492	$ 200
Equipment and other program expenses	137,961	177,040
Scholarships	199,727	146,380
Total	$339,180	$323,620

Donor and Board-restricted Endowments: The Foundation's endowment includes both donor-restricted endowment funds and funds designated by 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 as of June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment	$ -	$ 3,320,243	$ 3,320,243
(Quasi) Endowment	24,777	-	24,777
Total funds	$ 24,777	$ 3,320,243	$ 3,345,020

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of the year	$ 23,342	$ 3,092,074	$ 3,115,416
Investment return:			
Investment income	2,397	313,677	316,074
Net appreciation	(962)	(122,902)	(123,864)
Total investment return	1,435	190,775	192,210
Contributions	-	148,818	148,818
Appropriation of endowment assets for expenditures	-	(95,005)	(95,005)
Administrative fees	-	(12,127)	(12,127)
Other changes - Transfers to other temporarily restricted funds	-	(4,292)	(4,292)
Endowment net assets - End of the year	$ 24,777	$ 3,320,243	$ 3,345,020

Endowment Net Asset Composition by Type of Fund as of June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment	$ -	$ 3,092,074	$ 3,092,074
(Quasi) Endowment	23,342	-	23,342
Total funds	$ 23,342	$ 3,092,074	$ 3,115,416

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets -			
Beginning of the year	$ 22,834	$ 2,883,714	$ 2,906,548
Investment return:			
Investment income	858	111,724	112,582
Net appreciation	650	108,536	109,186
Total investment return	1,508	220,260	221,768
Contributions	-	97,912	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	$ 3,092,074	$ 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 11 – 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, 2019 and 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 $225,000. 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 $694,393 and $657,153 reported at June 30, 2019 and 2018, respectively. The amount of reserved funds available for potentials claims was $550,000 for the year.

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

	Beginning Balance	Current Year Claims	Claim Payments	Ending Balance
2019	$ 657,153	$ 6,279,967	$ 6,242,727	$ 694,393
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 $400,000. The amount accrued at June 30, 2019 and 2018 for potential claims was $150,000 for both years, respectively.

NOTE 12 – 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 13 - FUNCTIONAL CLASSIFICATION OF EXPENSES

Operating expenses by functional classification for the year ended June 30, 2019 and 2018 is summarized as follows:

	2019	2018
Instructional and departmental research	$ 24,195,225	$ 13,932,404
Institutional research	211,059	101,403
Public Service	1,748,741	1,320,931
Academic support	1,890,952	939,390
Student services	4,754,495	2,671,026
Institutional support	12,624,261	8,600,762
Operation and maintenance of plant	4,610,417	4,479,983
Scholarships and other student aid	585,552	824,570
Depreciation	5,776,178	5,748,705
Auxiliary enterprises – Net of scholarship allowances	504,480	650,829
Total operating expenses	$ 56,901,360	$ 39,270,003

Required Supplementary Information

Owens State Community College
Required Supplementary Information
Schedule of College's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Six Fiscal Years (1) (2)

	College's Proportion of the Net Pension Liability	College's Proportionate Share of the Net Pension Liability	College's Covered Payroll	College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.569094%	$ 33,842,194	$ 22,076,595	153.29%	65.52%
2015	0.569094%	28,801,523	17,898,477	160.92%	71.70%
2016	0.502899%	28,695,893	16,563,087	173.25%	69.16%
2017	0.426594%	31,222,758	13,864,914	225.19%	62.98%
2018	0.410103%	24,502,724	13,210,929	185.47%	69.50%
2019	0.362091%	20,737,608	12,243,259	169.38%	71.36%

(1) Information prior to 2014 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 year were determined as of the College's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

Change in assumptions. In measurement year 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.

Changes of benefit and funding terms. In measurement year 2018, post-retirement increases in benefits included the following changes:

1. Members, or their survivors, retiring prior to January 1, 2018, receive a COLA increase of 3% of their base benefit on the anniversary of their initial date of retirement.
2. Members, or their survivors, retiring on and after January 1, 2018, receive a COLA increase on each anniversary of their initial date of retirement equal to the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0%, nor greater than 2.5%. COLAs are suspended for calendar years 2018, 2019, and 2020.
3. Members, or their survivors, retiring on and after April 1, 2018, will have their COLA delayed for three years following their initial date of retirement.

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

	College's Proportion of the Net Pension Liability	College's Proportionate Share of the Net Pension Liability	College's Covered Payroll	College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.257186%	$ 74,517,061	$ 31,689,425	235.15%	69.30%
2015	0.257186%	62,556,640	27,092,103	230.90%	74.70%
2016	0.232941%	64,378,084	25,037,916	257.12%	72.10%
2017	0.210716%	70,532,943	22,869,886	308.41%	66.80%
2018	0.177243%	42,104,405	18,535,050	227.16%	75.30%
2019	0.157826%	34,702,351	17,038,714	203.67%	77.30%

(1) Information prior to 2014 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 year were determined as of the College's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount 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 Pension Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2010	$ 2,865,926	$ (2,865,926)	$ -	$ 21,176,398	13.53%
2011	2,970,055	(2,970,055)	-	21,926,900	13.55%
2012	2,946,869	(2,946,869)	-	21,687,306	13.59%
2013	2,966,632	(2,966,632)	-	22,076,595	13.44%
2014	2,391,988	(2,391,988)	-	17,898,477	13.36%
2015	2,200,311	(2,200,311)	-	16,563,087	13.28%
2016	1,941,088	(1,941,088)	-	13,864,914	14.00%
2017	1,849,530	(1,849,530)	-	13,210,929	14.00%
2018	1,652,840	(1,652,840)	-	12,243,259	13.50%
2019	1,681,605	(1,681,605)	-	12,456,333	13.50%

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

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2010	$ 4,709,104	$ (4,709,104)	$ -	$ 34,315,122	13.72%
2011	4,852,699	(4,852,699)	-	35,521,478	13.66%
2012	4,436,854	(4,436,854)	-	32,450,613	13.67%
2013	4,324,994	(4,324,994)	-	31,689,425	13.65%
2014	3,693,965	(3,693,965)	-	27,092,103	13.63%
2015	3,425,522	(3,425,522)	-	25,037,916	13.68%
2016	3,201,784	(3,201,784)	-	22,869,886	14.00%
2017	2,594,907	(2,594,907)	-	18,535,050	14.00%
2018	2,385,420	(2,385,420)	-	17,038,714	14.00%
2019	2,535,469	(2,535,469)	-	18,110,493	14.00%

Owens State Community College
Required Supplementary Information
Schedule of College's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Three Fiscal Years (1) (2)

	College's Proportion of the Net OPEB Liability	College's Proportionate Share of the Net OPEB Liability	College's Covered Payroll	College's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.403121%	$ 11,490,432	$ 13,864,914	82.87%	11.49%
2018	0.386167%	10,363,696	13,210,929	78.45%	12.46%
2019	0.340952%	9,458,925	12,243,259	77.26%	13.57%

(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.

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

Notes to Schedule:

Change in assumptions. In measurement year 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 in the rate of inflation from 3.25% to 3.00%, a reduction in the payroll growth assumption from 4.00% to 3.50%, a reduction in assumed real wage growth from 0.75% to 0.50%, an update in rates of withdrawal, retirement and disability, and transitioning to the following mortality tables: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set back for both active male and female members; RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB (120% of male rates, and 110% of female rates) for service retired members and beneficiaries; and 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 among disabled members.

In measurement year 2018, medical trend rates have been adjusted to reflect premium decreases.

Change in benefit and funding terms. In measurement year 2018, SERS' funding policy allowed a 2.0% health care contribution rate to be allocated to the Health Care fund. The 2.0% is a combination of 0.5% employer contributions and 1.5% surcharge.

Owens State Community College
Required Supplementary Information
Schedule of College's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1) (2)

	College's Proportion of the Net OPEB Liability (Asset)	College's Proportionate Share of the Net OPEB Liability (Asset)	College's Covered Payroll	College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2017	0.210716%	$ 11,269,138	$ 22,869,886	49.28%	37.30%
2018	0.177243%	6,915,360	18,535,050	37.31%	47.11%
2019	0.157826%	(2,536,100)	17,038,714	(14.88%)	176.00%

(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.

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

Notes to Schedule:

Change in assumption. For measurement 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 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.

For measurement year 2018, the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74. Valuation year per capital health care costs were updated.

Change in benefit terms. For measurement year 2017, the subsidy multiplier for non-Medicare benefit recipient 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.

For measurement year 2018, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Owens State Community College
Required Supplementary Information
Schedule of College OPEB Contributions
School Employees Retirement System of Ohio
Last Four Fiscal Years (1)

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	$ 78,754	$ (78,754)	$ -	$ 13,864,914	0.57%
2017	71,738	(71,738)	-	13,210,929	0.54%
2018	128,214	(128,214)	-	12,243,259	1.05%
2019	116,117	(116,117)	-	12,456,333	0.93%

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

(2) Includes Surcharge

Owens State Community College
Required Supplementary Information
Schedule of College OPEB Contributions
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	$ -	$ -	$ -	$ 22,869,886	0.00%
2017	-	-	-	18,535,050	0.00%
2018	-	-	-	17,038,714	0.00%
2019	-	-	-	18,110,493	0.00%

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

(2) STRS allocated the entire 14% employer contribution rate toward pension benefits.

Supplemental Information

CLARK SCHAEFER HACKETT
CPAs & Advisors

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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, 2019, 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 11, 2019.

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 11, 2019

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, 2019. 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, 2019.

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 11, 2019

Owens State Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

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	$ 315,094
Federal Work-Study Program	84.033	Various	182,936
Federal Pell Grant Program	84.063	Various	10,733,461
Federal Direct Student Loans	84.268	Various	18,528,359
Total Student Financial Aid Cluster			29,759,850
TRIO Cluster:			
TRIO - Student Support Services	84.042	N/A	257,321
Total TRIO Cluster			257,321
Total Title IV Program			30,017,171
Title I Program			
Passed through the State of Ohio Board of Regents			
Career and Technical Education - Basic Grants to States	84.048	VECPIII-P01	290,121
Adult Basic and Literacy Education (ABLE) Program			
Passed through the State of Ohio Board of Regents			
Adult Education - Basic Grants to States	84.002	074864-AB-S1-2018	560,782
Tech Prep Education Program			
Passed through the University of Toledo			
Technical Preparation	84.243	N/A	9,577
Total U.S. Department of Education			30,877,651
U.S. Department of Defense			
Passed through the Lorain County Community College			
Science, Technology, Engineering & Mathematics (STEM) Education, Outreach and Workforce Program	12.330	N/A	12,500
Total U.S. Department of Defense			12,500
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	97,163
Total U.S. Department of Labor			97,163
National Science Foundation			
Passed through the Bowling Green State University			
Education and Human Resources - SEA Change:Using Social Connectivity to Improve Quantitative Literacy	47.076	DUE 152623	125,782
Total National Science Foundation			125,782
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 31,113,096

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

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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, 2019. 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 subrecipients during the year ended June 30, 2019.

NOTE 2 – FEDERAL WORK-STUDY AND FEDERAL SEOG WAIVER

For the year ended June 30, 2019, the College received a waiver from the Department of Education for the Institutional Share Requirement under the Federal Work-study and Federal Supplemental Educational Opportunity Grant programs.

NOTE 3 – 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

Financial Statements

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

Federal Awards

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

OHIO AUDITOR OF STATE
KEITH FABER

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 7, 2019