



# Balestra, Harr & Scherer, CPAs, Inc.

---

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

TERRA COMMUNITY COLLEGE  
SANDUSKY COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2014  
Fiscal Year Audited Under GAGAS: 2014





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Terra Community College, Sandusky County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

October 29, 2014

**This page intentionally left blank.**

TERRA COMMUNITY COLLEGE  
YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	4
Financial Statements:	
Statements of Net Position - Terra Community College.....	11
Statements of Financial Position - Foundation.....	12
Statements of Revenues, Expenses, and Changes in Net Position - Terra Community College .....	13
Statements of Activities - Foundation .....	14
Statements of Cash Flows - Terra Community College.....	16
Statements of Cash Flows - Foundation.....	17
Notes to the Financial Statements.....	18
Schedule of Federal Awards Revenues and Expenses.....	38
Notes to the Schedule of Federal Awards Revenues and Expenses .....	39
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	40
Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133.....	42
Schedule of Findings.....	44



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

## Independent Auditor's Report

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

To the Board of Trustees:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Terra Community College, Sandusky County, Ohio (the College), which is a component unit of the state of Ohio, as of and for the years ended June 30, 2014 and 2013, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the College's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Terra Community College, Sandusky County, Ohio as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with the 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 this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### ***Supplementary and Other Information***

Our audit was conducted to opine on the College's basic financial statements taken as a whole.

The Schedule of Federal Awards Revenues and Expenses presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2014, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Worthington, Ohio  
September 19, 2014



TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and 2013

---

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of Terra Community College's financial statements provides an overview of the College's financial activities for the year ended 2014 with selected comparative information for the years ended June 30, 2013 and 2012. Responsibility for the completeness and fairness of this information rests with the College and should be read in conjunction with the accompanying financial statements and notes.

**Using the Annual Report**

The following activities are included in the financial statements:

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

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

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

**Financial Highlights**

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

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

TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and 2013

**Condensed Financial Information**

**Statement of Net Position**  
(in thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Assets</b>			
Current assets	\$ 8,678	\$ 12,683	\$ 7,599
Capital assets, net	29,784	25,503	24,988
Other noncurrent assets	<u>2,578</u>	<u>2,857</u>	<u>2,339</u>
Total assets	<u>41,040</u>	<u>41,043</u>	<u>34,926</u>
<b>Liabilities</b>			
Current liabilities	2,874	2,812	1,775
Noncurrent liabilities	<u>5,917</u>	<u>6,038</u>	<u>179</u>
Total liabilities	<u>8,791</u>	<u>8,850</u>	<u>1,954</u>
<b>Net position</b>			
Net investment in capital assets	26,179	24,783	24,988
Restricted			
Expendable	218	195	300
Unrestricted	<u>5,852</u>	<u>7,215</u>	<u>7,684</u>
Total net position	<u>\$ 32,249</u>	<u>\$ 32,193</u>	<u>\$ 32,972</u>

**Assets:** As of June 30, 2014 the College's total assets amount to approximately \$41 million. Capital assets, net of depreciation, represented the College's largest asset, totaling \$29.8 million or 73 percent of total assets. Cash and cash equivalents and investments, totaling \$8.0 million or 19 percent of total assets, were the College's next largest asset. Cash and investments decreased by approximately \$4.2 million in 2014.

As of June 30, 2013 the College's total assets amounted to approximately \$41 million. Capital assets, net of depreciation, represented the College's largest asset, totaling \$25.5 million or 62 percent of total assets. Cash and cash equivalents and investments, totaling \$12.2 million or 30 percent of total assets, were the College's next largest asset. Cash and investments increased by approximately \$5.9 million in 2013.

**Liabilities:** At June 30, 2014 the College's liabilities totaled approximately \$8.8 million. Accounts payable and accrued liabilities represented \$1.9 million or 22 percent, of total liabilities. Total liabilities decreased \$59 thousand during the year ended June 30, 2014. This was primarily a result of lower accounts payable and accrued liabilities at year end.

As of June 30, 2013 the College's liabilities totaled approximately \$8.8 million. Accounts payable and accrued liabilities represented \$2 million or 22 percent, of total liabilities. Total liabilities increased \$6.9 million during the year ended June 30, 2013. This was primarily a result of \$6 million in bonds issued for renovation of facilities and a new main entrance to the campus.

TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and 2013

---

**Net Position:** Net position at June 30, 2014 totaled approximately \$32 million or 81 percent of total assets. Net investment in capital assets totaled \$26 million or 80 percent, of total net position. Restricted and unrestricted net position represented 1 percent and 18 percent of total net position, respectively. Total net position increased by \$56 thousand during the year ended June 30, 2014.

Net position at June 30, 2013 totaled approximately \$32 million or 78 percent of total assets. Net investment in capital assets totaled \$24.8 million or 77 percent, of total net position. Restricted and unrestricted net position represented 1 percent and 22 percent of total net position, respectively. Total net position decreased by \$779 thousand during the year ended June 30, 2013 and increased by \$90 thousand during the year ended June 30, 2012.

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

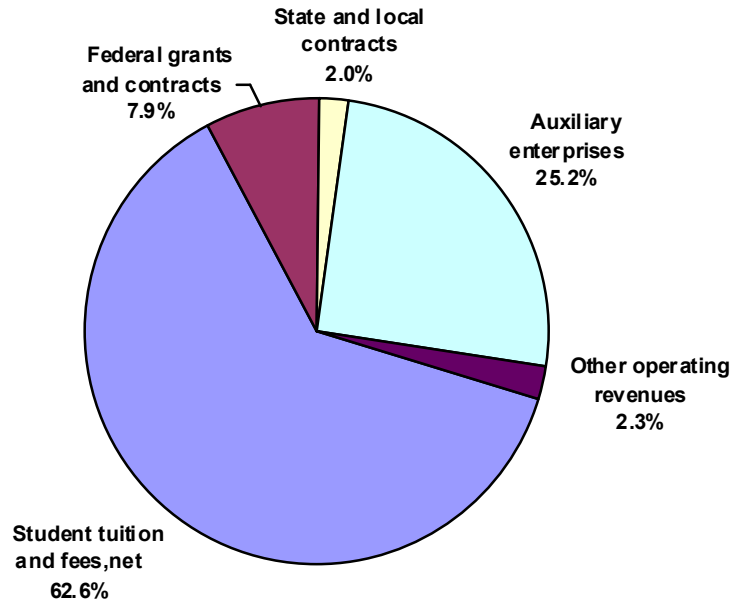
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenue			
Tuition and fees	\$ 4,252	\$ 3,334	\$ 2,941
Government grants	676	810	937
Auxiliary services	1,709	2,411	2,799
Other operating revenue	<u>159</u>	<u>219</u>	<u>142</u>
Total operating revenue	<u>6,796</u>	<u>6,774</u>	<u>6,819</u>
Operating expenses			
Educational and general	16,393	17,518	17,918
Auxiliary expenses	1,680	1,944	2,390
Depreciation	<u>1,082</u>	<u>1,025</u>	<u>1,022</u>
Total operating expenses	<u>19,155</u>	<u>20,487</u>	<u>21,330</u>
Operating loss	(12,359)	(13,713)	(14,511)
Nonoperating revenue (expenses)			
State appropriations	6,554	6,380	6,274
Federal grants	4,668	6,665	7,650
Gifts and grants	381	63	193
Investment income	41	10	36
Other nonoperating	<u>(229)</u>	<u>(204)</u>	<u>37</u>
Total nonoperating revenue	<u>11,415</u>	<u>12,914</u>	<u>14,190</u>
Capital appropriations	<u>1,000</u>	<u>20</u>	<u>410</u>
Change in net position during year	<u>\$ 56</u>	<u>\$ (779)</u>	<u>\$ 90</u>

---

TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and 2013

---

**2014 CHART OF OPERATING REVENUES**



Total operating revenues were approximately \$6.8 million for both the years ended June 30, 2014 and 2013. The most significant sources of operating revenue for the College are net student tuition and fees (62.6 percent for 2014 and 49.2 percent for 2013), auxiliary enterprise revenue (25.2 percent for 2014 and 35.6 percent for 2013), and federal grants and contracts (7.9 percent for 2014 and 10.0 percent for 2013).

Tuition and fees continued to be the largest source of operating revenues for the College. Gross tuition revenue decreased 10.8% for 2014 and decreased 5.4% for 2013 primarily from fluctuation in enrollment. The College's full time equivalent (FTE) students for fiscal year 14 were 1,586 while in fiscal year 13 the total was 1,998 and for fiscal year 12 the total was 2,271. Over the past five years, the annual FTE average has been approximately 2,102. Auxiliary enterprises revenue from the College bookstore decreased 29.1% from 2013 corresponding with the enrollment decline and a decrease of 13.9% from 2012. In 2014 state grant revenue remained steady at 2.0% of operating revenues.

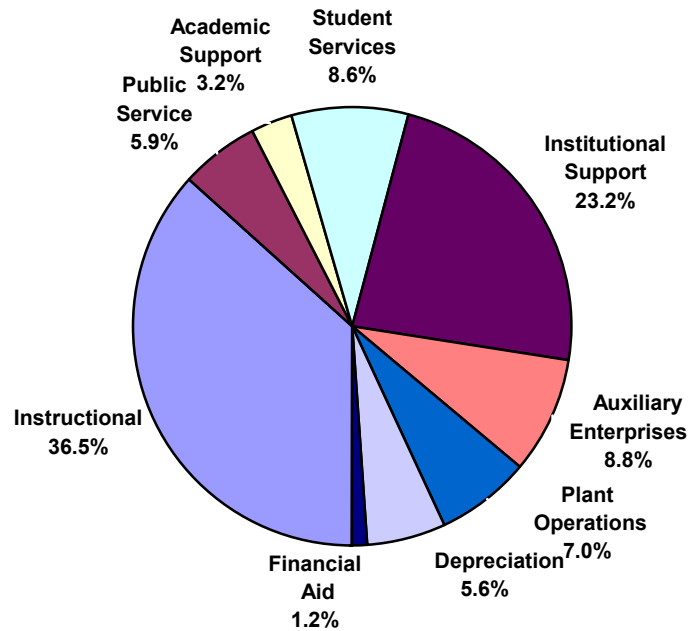
State appropriations, which is considered nonoperating revenue as defined by GASB 35, is a significant recurring source of revenue essential to the operation of the College. The College's state appropriation for the year ended June 30, 2014, amounted to \$6.6 million. This represents an increase of \$174 thousand or 2.7% from the College's appropriation for the prior year. In 2013, the appropriation increased \$106 thousand or 1.7% in comparison to 2012.

---

TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and 2013

---

**2014 CHART OF OPERATING EXPENSES**



Operating expenses, including \$1.08 million of depreciation, totaled approximately \$19.2 million as compared to \$20.5 million in 2013 and \$21.3 million in 2012. The majority of the College's operating funds are expended directly for the primary mission of the College - instruction (36.5 percent), institutional support (23.2 percent) and auxiliary enterprises (8.8 percent). This combined 68.5 percent compares with 70.8 percent in 2013 and 70.0 percent in 2012.

Total operating expenses decreased 6.5% from 2013 with instruction expenses decreasing \$616 thousand. Lower enrollment resulted in a decrease in personnel costs and laboratory supplies for 2014. Total operating expenses had decreased 4.0% from 2012 to 2013.

For the year ended June 30, 2014, student financial aid related to tuition and fees totaled \$5.0 million, including scholarship allowance of \$4.8 million and student aid expense of \$228 thousand. In 2014 student financial aid decreased by 28.6% in total from the prior year. For the year ended 2013 student financial aid was \$7.0 million as compared to \$8.0 million in 2012.

TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and 2013

---

***Statement of Cash Flows***  
(in thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net cash provided (used) by:			
Operating activities	\$ (11,259)	\$ (11,561)	\$ (13,959)
Noncapital financing activities	11,602	13,109	14,117
Capital and related financing activities	(4,591)	4,356	(1,746)
Investing activities	<u>3,489</u>	<u>(5,909)</u>	<u>995</u>
 Net increase/(decrease) in cash	(759)	(5)	(593)
 Cash-beginning of year	<u>2,460</u>	<u>2,465</u>	<u>3,058</u>
 Cash-end of year	<u>\$ 1,701</u>	<u>\$ 2,460</u>	<u>\$ 2,465</u>

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

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

Major sources of funds included in operating activities are student tuition and fees (\$4.4 million) and auxiliary enterprises (\$1.7 million). The largest cash payments for operating activities were to employees, for wages and benefits, (\$12.5 million) and to suppliers (\$5.4 million).

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

### **Capital Assets**

Capital assets, net of accumulated depreciation, totaled approximately \$29.8 million at June 30, 2014, a net increase of \$4.3 million over the prior year-end. This compares with an increase of \$514 thousand in 2013 from 2012. Additions to capital assets during the year totaled \$5.4 million as a result of the renovation of existing buildings for a conference center and the hospitality management program. For more information on capital assets, see Note 4.

---

TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and 2013

---

**Long-Term Debt**

Long-term debt totaled approximately \$5.9 million at June 30, 2014, a decrease of \$0.1 million over the prior year-end. For more information on long-term debt, see Note 7.

**Factors impacting future periods**

The economic position of Terra Community College is closely tied to that of the State. State Share of Instruction funding for fiscal year 15 is projected at \$6.2 million which is 4.50% below the funding received in fiscal year 14.

In May 2013, the Board of Trustees approved a tuition increase equaling up to \$100 for full time enrollment effective for the fall semesters of the fiscal year 13 and fiscal year 14 biennium as allowed by the legislature. Known expense increases for fiscal year 15 include a 1% salary increase for union staff. Full time faculty will negotiate a new contract. Employee health insurance plans will continue under a self insured plan renewing on October 1, 2014, with a 7% increase in premiums.

The College experienced a 20.6% decrease in full-time equivalent students from 1,998 FTE in 2013 to 1,586 in 2014. Enrollment for both summer and fall terms continues to reflect lower numbers following the trend in Ohio colleges.

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

TERRA COMMUNITY COLLEGE  
STATEMENTS OF NET POSITION  
June 30, 2014 and 2013

<b>Assets</b>	<u>2014</u>	<u>2013</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,701,283	\$ 2,460,412
Short-term investments	3,731,881	6,923,291
Intergovernmental receivable	236,209	149,303
Due from State of Ohio	569,371	624,651
Loans receivable, net	66,082	66,554
Other receivables	1,853,158	1,784,306
Inventory	345,495	545,152
Other current assets	<u>174,536</u>	<u>129,544</u>
Total current assets	<u>8,678,015</u>	<u>12,683,213</u>
<b>Noncurrent assets</b>		
Investments	2,543,021	2,799,344
Other Assets	35,033	58,067
Capital assets, gross	53,081,302	47,718,515
Accumulated depreciation	<u>(23,297,576)</u>	<u>(22,215,938)</u>
Capital assets, net	<u>29,783,726</u>	<u>25,502,577</u>
Total noncurrent assets	<u>32,361,780</u>	<u>28,359,988</u>
Total assets	<u>41,039,795</u>	<u>41,043,201</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,895,466	1,959,774
Deferred revenue	514,036	410,317
Long-term debt, current	125,000	80,000
Compensated absences, current	<u>339,469</u>	<u>362,131</u>
Total current liabilities	<u>2,873,971</u>	<u>2,812,222</u>
<b>Noncurrent liabilities</b>		
Long-term debt, noncurrent	5,795,000	5,920,000
Compensated absences, noncurrent	<u>121,964</u>	<u>117,706</u>
Total noncurrent liabilities	<u>5,916,964</u>	<u>6,037,706</u>
Total liabilities	<u>8,790,935</u>	<u>8,849,928</u>
<b>Net position</b>		
Net investment in capital assets	26,179,203	24,782,909
Expendable		
Other	161,906	169,038
Capital projects	55,823	25,868
Unrestricted	<u>5,851,928</u>	<u>7,215,458</u>
Total net position	<u>\$ 32,248,860</u>	<u>\$ 32,193,273</u>

See accompanying notes to financial statements



TERRA COLLEGE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2014 and 2013

---

<b>Assets</b>	<u><b>2014</b></u>	<u><b>2013</b></u>
Cash and cash equivalents	\$ 268,343	\$ 156,324
Contributions receivable	181,003	272,315
Other accounts receivable	67,665	68,929
Investments	<u>4,844,962</u>	<u>3,550,470</u>
Total assets	<u>5,361,973</u>	<u>4,048,038</u>
 <b>Liabilities</b>		
Accounts payable	<u>74,691</u>	<u>36,982</u>
Total liabilities	<u>74,691</u>	<u>36,982</u>
 <b>Net assets</b>		
Unrestricted	317,314	236,147
Temporarily restricted	2,557,700	1,679,772
Permanently restricted	<u>2,412,268</u>	<u>2,095,137</u>
Total net assets	<u>\$ 5,287,282</u>	<u>\$ 4,011,056</u>

---

See accompanying notes to financial statements

TERRA COMMUNITY COLLEGE  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Operating revenues</b>		
Student tuition and fees (net of scholarship allowances of \$4,798,274 in 2014 and \$6,813,850 in 2013)	\$ 4,252,292	\$ 3,334,057
Federal grants and contracts	538,647	675,399
State grants and contracts	137,594	134,771
Sales and services	484	488
Auxiliary enterprises	1,708,799	2,411,373
Other operating revenues	<u>158,248</u>	<u>218,312</u>
Total operating revenues	<u>6,796,064</u>	<u>6,774,400</u>
<b>Operating Expenses</b>		
Educational and general		
Instructional	6,997,075	7,613,317
Public service	1,121,224	987,783
Academic support	615,246	764,205
Student services	1,646,410	1,771,630
Institutional support	4,449,817	4,930,652
Operation and maintenance of plant	1,335,145	1,224,198
Student financial aid	228,534	226,161
Depreciation expense	1,081,638	1,024,854
Auxiliary enterprises	<u>1,680,183</u>	<u>1,944,440</u>
Total operating expenses	<u>19,155,272</u>	<u>20,487,240</u>
Operating loss	<u>(12,359,208)</u>	<u>(13,712,840)</u>
<b>Nonoperating revenues (expenses)</b>		
State appropriations	6,553,750	6,380,201
Federal grants	4,667,605	6,665,608
Gifts and grants	380,667	62,996
Investment income	41,123	9,765
Interest on debt	(205,035)	(116,191)
Other nonoperating expense	<u>(23,315)</u>	<u>(88,166)</u>
Net nonoperating revenues (expenses)	<u>11,414,795</u>	<u>12,914,213</u>
Income (loss) before capital appropriations	(944,413)	(798,627)
Capital appropriations	<u>1,000,000</u>	<u>19,949</u>
Change in net position	55,587	(778,678)
<b>Net position</b>		
Net position- beginning of year	<u>32,193,273</u>	<u>32,971,951</u>
Net position- end of year	<u>\$ 32,248,860</u>	<u>\$ 32,193,273</u>

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2014

---

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
<b>Revenues, gains and other support</b>				
Contributions	\$ 1,725	\$ 835,150	\$ 317,131	\$ 1,154,006
Contributed services and supplies	178,549	--	--	178,549
Investment return	117,982	490,517	--	608,499
Net assets released from restrictions	<u>447,739</u>	<u>(447,739)</u>	<u>--</u>	<u>--</u>
Total revenues, gains and other support	745,995	877,928	317,131	1,941,054
 <b>Expenses</b>				
Program services				
Scholarships and loans	72,883	--	--	72,883
Instructional equipment	90,515	--	--	90,515
Other	23,177	--	--	23,177
Supporting services				
Management and general	350,306	--	--	350,306
Fund raising	<u>127,947</u>	<u>--</u>	<u>--</u>	<u>127,947</u>
Total expenses	<u>664,828</u>	<u>--</u>	<u>--</u>	<u>664,828</u>
Change in net assets	81,167	877,928	317,131	1,276,226
 <b>Net assets</b>				
Net assets - beginning of year	<u>236,147</u>	<u>1,679,772</u>	<u>2,095,137</u>	<u>4,011,056</u>
Net assets - end of year	<u>\$ 317,314</u>	<u>\$ 2,557,700</u>	<u>\$ 2,412,268</u>	<u>\$ 5,287,282</u>

---

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2013

---

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
<b>Revenues, gains and other support</b>				
Contributions	\$ 16,242	\$ 288,388	\$ 22,162	\$ 326,792
Contributed services and supplies	151,240	--	--	151,240
Investment return	51,281	235,215	--	286,496
Net assets released from restrictions	<u>113,326</u>	<u>(113,326)</u>	<u>--</u>	<u>--</u>
Total revenues, gains and other support	332,089	410,277	22,162	764,528
 <b>Expenses</b>				
Program services				
Scholarships and loans	28,522	--	--	28,522
Instructional Equipment	50,578			50,578
Other	15,353	--	--	15,353
Supporting services				
Management and general	58,449	--	--	58,449
Fund raising	<u>134,139</u>	<u>--</u>	<u>--</u>	<u>134,139</u>
Total expenses	<u>287,041</u>	<u>--</u>	<u>--</u>	<u>287,041</u>
 Change in net assets	45,048	410,277	22,162	477,487
 <b>Net assets</b>				
Net assets - beginning of year	<u>191,099</u>	<u>1,269,495</u>	<u>2,072,975</u>	<u>3,533,569</u>
Net assets - end of year	<u>\$ 236,147</u>	<u>\$ 1,679,772</u>	<u>\$ 2,095,137</u>	<u>\$ 4,011,056</u>

---

See accompanying notes to financial statements

TERRA COMMUNITY COLLEGE  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities</b>		
Tuition and fees	\$ 4,356,482	\$ 3,298,405
Grants and contracts	575,763	1,093,588
Other income	158,732	218,799
Auxiliary enterprise receipts	1,708,799	2,411,373
Payments to suppliers	(5,366,740)	(4,982,819)
Payroll and fringe benefits	(12,463,265)	(13,374,429)
Scholarships and fellowships	(228,534)	(226,161)
Net cash used by operating activities	<u>(11,258,763)</u>	<u>(11,561,244)</u>
<b>Cash flows from noncapital financing activities</b>		
State appropriations	6,553,750	6,380,201
Grants and contracts other than capital	<u>5,048,272</u>	<u>6,728,604</u>
Net cash from noncapital financing activities	<u>11,602,022</u>	<u>13,108,805</u>
<b>Cash flows from capital financing activities</b>		
Proceeds from capital debt	--	6,000,000
Purchases of capital assets	(5,386,102)	(1,627,111)
State appropriations capital	1,000,000	19,949
Principal paid on capital debt	(80,000)	---
Interest paid on capital debt	<u>(125,142)</u>	<u>(36,298)</u>
Net cash from (used by) financing activities	<u>(4,591,244)</u>	<u>4,356,540</u>
<b>Cash flows from investing activities</b>		
Change in short-term investments	3,191,410	(5,409,682)
Purchase of investments	(2,365,332)	(2,262,217)
Proceeds from sale and maturities of investments	2,608,080	1,722,293
Interest on investments	<u>54,698</u>	<u>40,445</u>
Net cash from (used by) investing activities	<u>3,488,856</u>	<u>(5,909,161)</u>
<b>Net change in cash</b>	(759,129)	(5,060)
<b>Cash and cash equivalents, beginning of year</b>	<u>2,460,412</u>	<u>2,465,472</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,701,283</u>	<u>\$ 2,460,412</u>
<b>Reconciliation of net operating (loss) to net cash used by operating activities</b>		
Operating loss	\$ (12,248,935)	\$ (13,712,840)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	1,081,638	1,024,854
Changes in assets and liabilities		
Receivables	(100,006)	287,603
Inventories	199,657	5,929
Other assets	(21,958)	17,134
Accounts payable	(254,473)	868,125
Accrued salaries and benefits	(18,404)	(12,211)
Deferred revenue	<u>103,718</u>	<u>(39,838)</u>
Net cash used by operating activities	<u>\$ (11,258,763)</u>	<u>\$ (11,561,244)</u>

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION  
 STATEMENTS OF CASH FLOWS  
 Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities</b>		
Contributions	\$ 928,187	\$ 399,201
Investment return	512,926	263,574
Scholarship and loan expenditures	(72,883)	(28,522)
Purchase of equipment for Terra Community College	(90,515)	(50,578)
Payments to suppliers	<u>(285,172)</u>	<u>(56,198)</u>
Net cash from operating activities	<u>992,543</u>	<u>527,477</u>
 <b>Cash flows from investing activities</b>		
Purchase of long-term investments	<u>(1,197,655)</u>	<u>(731,805)</u>
Net cash used by investing activities	<u>(1,197,655)</u>	<u>(731,805)</u>
 <b>Cash flows from financing activities</b>		
Proceeds from contributions restricted for long-term purposes	<u>317,131</u>	<u>22,162</u>
Net cash from financing activities	<u>317,131</u>	<u>22,162</u>
 <b>Net change in cash</b>	112,019	(182,166)
 <b>Cash and cash equivalents, beginning of year</b>	<u>156,324</u>	<u>338,490</u>
 <b>Cash and cash equivalents, end of year</b>	<u>\$ 268,343</u>	<u>\$ 156,324</u>
 <b>Reconciliation of net operating revenues (expenses) to net cash from operating activities</b>		
Change in net assets	\$ 1,276,226	\$ 477,487
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized loss and realized gain on investments	(96,837)	(36,165)
Change in contributions receivable	91,312	94,571
Contributions restricted for long-term purposes	(317,131)	(22,162)
Change in assets and liabilities		
Accounts receivable	1,264	13,243
Accounts payable	<u>37,709</u>	<u>503</u>
Net cash from operating activities	<u>\$ 992,543</u>	<u>\$ 527,477</u>

See accompanying notes to financial statements

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

*Restricted net position - nonexpendable.* Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2014 and 2013, the College had no nonexpendable restricted assets.

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

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

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

Investments: The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position.

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

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



TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

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

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

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

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

Deposits: *Custodial Credit Risk:* At June 30, 2014 and 2013, the carrying amounts of the College's deposits in all funds were \$1,701,283 and \$2,460,412 (which consists of cash and cash equivalents, excluding cash on hand of \$2,750) and the bank balance was \$1,883,778 and \$2,618,916 respectively. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2014 and 2013. Of the bank balances at June 30, 2014 and 2013, \$250,000 and \$250,000 was covered by federal depository insurance.

Uninsured deposits are held in accounts collateralized by a collateral pool account of U.S. Treasuries held by the Federal Reserve Bank in "book entry" form in the name of the respective bank, but who also internally designate the securities as assigned to the College. There were no uninsured deposits as of June 30, 2014. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be returned to the College. The College follows the deposit policy for custodial risk in accordance with the Ohio Revised Code.

Investments: Investments are stated at their fair value at June 30, 2014 and 2013. The College's investments include the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)		
		<1	1-5	>5
<b>June 30, 2014:</b>				
Money Market	\$ 3,112,948	\$ 3,112,948	\$ -	\$ -
STAR Ohio Funds	10,028	10,028	-	-
U.S. Agency Obligations	1,293,305	250,832	299,655	742,818
Certificates of Deposits	1,858,621	358,073	1,500,548	
	<u>\$ 6,274,902</u>	<u>\$ 3,731,881</u>	<u>\$ 1,800,203</u>	<u>\$ 742,818</u>
<b>June 30, 2013:</b>				
Money Market	\$ 6,161,732	\$ 6,161,732	\$ -	\$ -
STAR Ohio Funds	10,026	10,026	-	-
U.S. Agency Obligations	2,723,525	751,533	1,292,693	679,299
Certificates of Deposits	827,352	-	827,352	-
	<u>\$ 9,722,635</u>	<u>\$ 6,923,291</u>	<u>\$ 2,120,045</u>	<u>\$ 679,299</u>

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

The U.S. Agency Obligations, which consisted of Federal Home Loan Mortgage Notes, Federal National Mortgage Association Notes, Government National Mortgage Association Notes, and Federal Farm Credit Bank Notes, are collateralized by underlying pools of mortgages which guarantee full and timely payment of principal and interest.

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

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

As of June 30, 2014 and 2013 the College has the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings	
		AAA	AA+
<b>June 30, 2014:</b>			
Money Market	\$ 3,112,948	\$ 3,112,948	\$ -
STAR Ohio Funds	10,028	10,028	-
U.S. Agency Obligations	1,293,305	550,487	742,818
Certificates of Deposits	1,858,621	N/A	N/A
	<u>\$ 6,274,902</u>	<u>\$ 3,673,463</u>	<u>\$ 742,818</u>
<b>June 30, 2013:</b>			
Money Market	\$ 6,161,732	\$ 6,161,732	\$ -
STAR Ohio Funds	10,026	10,026	-
U.S. Agency Obligations	2,723,525	679,299	2,044,226
Certificates of Deposits	827,352	N/A	N/A
	<u>\$ 9,722,635</u>	<u>\$ 6,851,057</u>	<u>\$ 2,044,226</u>

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy places no limit on the amount the College may invest in a single issuer. At June 30, 2014, more than 5 percent of the College's investments were in Money Market accounts (49.6%), U.S. Agency Obligations (20.6%) and Certificates of Deposits (29.6%) investments.

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 3 - ACCOUNTS RECEIVABLE**

Receivables at June 30, 2014 and 2013 consisted of accounts (tuition and other fees), notes, interest and intergovernmental grants. All receivables, except for doubtful accounts receivables in collection with the Ohio Attorney General, are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

**NOTE 4 - CAPITAL ASSETS**

Capital assets at June 30, 2014 and 2013 are summarized as follows:

<u>Description</u>	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Capital assets not depreciated				
Land	\$ 534,747	\$ --	\$ --	\$ 534,747
Construction in progress	<u>1,334,724</u>	<u>5,030,408</u>	<u>(2,425,181)</u>	<u>3,939,951</u>
Total capital assets not depreciated	1,869,471	5,030,408	(2,425,181)	4,474,698
Capital assets being depreciated				
Buildings	34,301,838	2,190,180	--	36,492,018
Improvements	2,548,815	235,001	--	2,783,816
Equipment, furniture and books	<u>8,998,391</u>	<u>332,379</u>	<u>--</u>	<u>9,330,770</u>
Total capital assets depreciated	45,849,044	2,757,560	--	48,606,604
Total capital assets	47,718,515	7,787,968	(2,425,181)	53,081,302
Accumulated depreciation				
Buildings	(12,638,426)	(694,704)	--	(13,333,130)
Improvements	(2,431,853)	(42,301)	--	(2,474,154)
Equipment, furniture and books	<u>(7,145,659)</u>	<u>(344,633)</u>	<u>--</u>	<u>(7,490,292)</u>
Total accumulated depreciation	(22,215,938)	(1,081,638)	--	(23,297,576)
Capital assets, net	<u>\$ 25,502,577</u>	<u>\$6,706,330</u>	<u>(\$2,425,181)</u>	<u>\$ 29,783,726</u>

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 4 - CAPITAL ASSETS (Continued)**

<u>Description</u>	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Capital assets not depreciated				
Land	\$ 534,747	\$ --	\$ --	\$ 534,747
Construction in progress	<u>--</u>	<u>1,334,724</u>	<u>--</u>	<u>1,334,724</u>
Total capital assets not depreciated	534,747	1,334,724	--	1,869,471
Capital assets being depreciated				
Buildings	34,315,204	--	(13,366)	34,301,838
Improvements	2,548,815	--	--	2,548,815
Equipment, furniture and books	<u>8,844,954</u>	<u>217,587</u>	<u>(64,150)</u>	<u>8,998,391</u>
Total capital assets depreciated	45,708,973	217,587	(77,516)	45,849,044
Total capital assets	46,243,720	1,552,311	(77,516)	47,718,515
Accumulated depreciation				
Buildings	(11,954,379)	(684,047)	--	(12,638,426)
Improvements	(2,418,141)	(13,712)	--	(2,431,853)
Equipment, furniture and books	<u>(6,882,714)</u>	<u>(327,095)</u>	<u>64,150</u>	<u>(7,145,659)</u>
Total accumulated depreciation	(21,255,234)	(1,024,854)	64,150	(22,215,938)
Capital assets, net	<u>\$ 24,988,486</u>	<u>\$527,457</u>	<u>\$(13,366)</u>	<u>\$ 25,502,577</u>

In fiscal year 2014 renovation was completed on the Neeley Conference Center. Renovation commenced on another existing building for a hospitality management program.

**NOTE 5 - STATE SUPPORT**

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

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

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 5 - STATE SUPPORT (Continued)**

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

In 2014 and 2013 the College received capital project appropriations of \$1,000,000 and \$19,949 for building renovations and equipment.

**NOTE 6 - ACCRUED LIABILITIES**

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

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

**NOTE 7 - LONG-TERM DEBT**

Long-term debt activity for the years ended June 30, 2014 and 2013 is summarized as follows:

	Balance <u>July 1, 2013</u>	New <u>Debt</u>	Principal <u>Repayment</u>	Balance <u>June 30, 2014</u>	Current <u>Portion</u>
Bond Issues	\$6,000,000	\$0	\$80,000	\$5,920,000	\$125,000
Total Debt	\$6,000,000	\$0	\$80,000	\$5,920,000	\$125,000
	Balance <u>July 1, 2012</u>	New <u>Debt</u>	Principal <u>Repayment</u>	Balance <u>June 30, 2013</u>	Current <u>Portion</u>
Bond Issues	\$0	\$6,000,000	\$0	\$6,000,000	\$80,000
Total Debt	\$0	\$6,000,000	\$0	\$6,000,000	\$80,000

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 7 - LONG TERM-DEBT (Continued)**

Series 2013 Bond Issue

In March 2013, the College issued Series 2013 bonds totaling \$6,000,000 with an interest rate of 2.00% - 3.75% and with repayment over a period of 30 years. The proceeds are being used to finance the costs including construction of a new main entrance to the campus, renovation of an existing building for a conference center, renovation of an existing building for a hospitality management program and preliminary costs in connection with construction and renovation of a gymnasium. The acquisition, construction, renovation and equipping of the facilities will cost an estimated \$8,000,000 in total, which will be funded by proceeds of the Series 2013 Bonds and approximately \$2,000,000 of other available funds to the College.

In connection with the general receipts bonds described above, the College has pledged general receipts, net of State Appropriation receipts, to pay this debt. The bonds are payable through their final maturities listed below, solely from these revenues pledged. Total principal and interest remaining to be paid on these bonds is \$9,540,209 as detailed below.

Year Ended June 30:	Principal	Interest
2015	125,000	192,238
2016	130,000	189,688
2017	130,000	187,088
2018	135,000	184,438
2019	135,000	181,738
2020-2024	745,000	847,263
2025-2029	855,000	727,863
2030-2034	1,010,000	581,988
2035-2039	1,205,000	388,219
2040-2044	1,450,000	139,688
Total	\$5,920,000	\$3,620,209



TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

The Terra Community College contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained on the SERS' website, [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board.

The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B funds. The College's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$615,749, \$636,429, and \$656,174 respectively; 100 percent has been contributed for the fiscal years 2014, 2013, and 2012.

The College contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS, generally on a biweekly basis.

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained the age 60;(ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on the years of credited service and final average salary, which the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%.

An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** - Benefits are established under Sections 3307.8 and 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Combined Plan Benefits** - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physician's fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, BC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers.

For the fiscal years ended June 30, 2014, 2013, and 2012, plan members were required to contribute 11 percent for 2014, and 10 percent of the annual covered salaries for 2013 and 2012. The College was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The College's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$708,601, \$717,467, and \$737,167 respectively. 100 percent has been contributed for the fiscal years 2014, 2013, and 2012.

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan, a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Financial Annual Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the College, these amounts equaled \$50,614, \$51,248 and \$52,424 for the fiscal years 2014, 2013, and 2012, respectively.

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employee Retirement System (SERS) administers two employment benefit plans.

**Medicare Part B Plan**

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in the Ohio Revised code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal years 2014, 2013, and 2012, the actuarially required allocation was 0.76 percent, 0.74 percent, and 0.75 percent. For the College, contributions for the years ended June 30, 2014, 2013, and 2012, were \$33,426, \$33,640 and \$35,152 which equaled the required contributions for those years.

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

**Health Care Plan**

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2014, 2013, and 2012 the health care allocations were .14 percent, .16 percent, and .55 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$79,323, \$77,715, and \$77,893 respectively.

The SERS Retirement Board establishes 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 upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 10 - OPERATING EXPENSES BY NATURAL CLASSIFICATION**

The College's operating expenses by natural classification were as follows for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Salaries and wages	\$ 9,383,616	\$ 9,925,710
Employee benefits	3,171,518	3,436,508
Utilities	401,014	378,968
Supplies and other services	4,888,952	5,495,039
Depreciation	1,081,638	1,024,854
Student scholarships and financial aid	<u>228,534</u>	<u>226,161</u>
	<u>\$ 19,155,272</u>	<u>\$ 20,487,240</u>

**NOTE 11 - RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts, theft of, damage to, and destructions of assets, errors and omissions, injuries to employees and natural disaster. The College contracts with Lexington Insurance Company for property insurance and Wright Specialty for general liability insurance, including boiler, machinery and vehicle coverage. Scheduled vehicles hold a \$500 comprehensive and \$500 collision deductible. Automobile liability coverage has a \$120,000 limit for collision and a \$1,000,000 limit for bodily injury. The educators' legal liability coverage is also through Wright Specialty. Through a collaborative insurance effort of the OACC schools, the College has broadened its level of coverage from prior years. Settled claims have not exceeded any aforementioned commercial coverage in any of the past four years.

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

The College has self-insured health and dental coverage for its employees. The College's risk exposure is limited to claims incurred and stop-loss insurance is held. BAC administers claims for the college. The College pays 88% of the monthly premiums for health insurance coverage for full-time faculty as well as 100% of the single dental premium. The College pays 88% of health premiums and 88% of single dental premiums for full-time staff. The College pays 80% of health premiums and 88% of single dental premiums for union staff employees hired on or after January 1, 2008 and non-union staff hired on or after July 1, 2010.

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 11 - RISK MANAGEMENT (Continued)**

Losses from asserted claims and from unasserted claims identified under the College's incident reporting systems are accrued based on estimates that incorporate the College's past experience, actuarial reports, which include the nature of each claim or incident, relevant trend factors and other considerations. The liabilities for estimated self-insured claims include estimates of ultimate costs for both reported claims and claims incurred but not reported. All claim liabilities are determined by either a third party administrator or actuarial review based on the requirements of GASB Statement No. 30, which requires the liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the reported liabilities (included in accounts payable and accrued liabilities on the statement of net position) during the past year resulted from the following:

	<b>2013</b>
Liability at the beginning of year	\$0
Current year claims, net of changes in estimates	865,702
Claim payments	<u>(755,340)</u>
Liability at end of year	<u><u>\$110,362</u></u>

Self-insured liabilities amounted to \$110,362 at June 30, 2014.

**NOTE 12 - NONCURRENT LIABILITIES**

Noncurrent liabilities at June 30, 2014 and 2013 are summarized as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>	<u>Non Current Portion</u>	<u>Current Portion</u>
Other liabilities						
Compensated absences	479,837	93,021	(111,425)	461,433	121,964	339,469
Series 2013 Bonds	<u>6,000,000</u>	<u>--</u>	<u>(80,000)</u>	<u>5,920,000</u>	<u>5,795,000</u>	<u>125,000</u>
Total other liabilities	<u>6,479,837</u>	<u>93,021</u>	<u>(191,425)</u>	<u>6,381,433</u>	<u>5,916,964</u>	<u>464,469</u>
<b>Total noncurrent obligations</b>	<u><u>\$ 6,479,837</u></u>	<u><u>\$ 93,021</u></u>	<u><u>\$ (191,425)</u></u>	<u><u>\$ 6,381,433</u></u>	<u><u>\$ 5,916,964</u></u>	<u><u>\$ 464,469</u></u>

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 12 - NONCURRENT LIABILITIES (Continued)**

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>	<u>Current Portion</u>	<u>Current Portion</u>
Other liabilities						
Compensated absences	492,047	134,125	(146,335)	479,837	117,706	362,131
Series 2013 Bonds	<u>--</u>	<u>6,000,000</u>	<u>--</u>	<u>6,000,000</u>	<u>5,920,000</u>	<u>80,000</u>
Total other liabilities	<u>492,047</u>	<u>6,134,125</u>	<u>(146,335)</u>	<u>6,479,837</u>	<u>6,037,706</u>	<u>442,131</u>
<b>Total noncurrent obligations</b>	<u>\$ 492,047</u>	<u>\$ 6,134,125</u>	<u>\$ (146,335)</u>	<u>\$ 6,479,837</u>	<u>\$ 6,037,706</u>	<u>\$ 442,131</u>

**NOTE 13 - CONTINGENCIES**

At June 30, 2014, there were lawsuits or claims pending against Terra Community College. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of Terra Community College.

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

**NOTE 14 - COMPONENT UNIT DISCLOSURE**

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

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

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



TERRA COMMUNITY COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 Years ended June 30, 2014 and 2013

**NOTE 14 - COMPONENT UNIT DISCLOSURE (Continued)**

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

	<u>2014</u>	<u>2013</u>
Money market funds	\$ 57,697	\$ 170,369
Debt securities	1,557,947	405,195
Equity securities	<u>3,229,318</u>	<u>2,974,906</u>
	<u>\$ 4,844,962</u>	<u>\$ 3,550,470</u>

During the years ended June 30, 2014 and 2013, the Foundation made contributions of \$186,575 and \$94,453, respectively, to or on behalf of the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Terra College Foundation, 2830 Napoleon Road, Fremont, Ohio 43420.

**NOTE 15 - CHANGES IN ACCOUNTING PRINCIPLES**

For 2014, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities," GASB Statement No. 66, "Technical Corrections - 2012 - An Amendment of GASB Statements No. 10 and No. 62," GASB Statement No. 69, "Government Combinations and Disposals of Government Operations," and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2014 and 2013

**NOTE 15 - CHANGES IN ACCOUNTING PRINCIPLES (Continued)**

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 65, 66, 69, and 70 had no effect on the financial statements.

TERRA COMMUNITY COLLEGE  
SCHEDULE OF FEDERAL AWARDS REVENUES AND EXPENSES  
Year ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass through Entity Number	Federal CFDA Number	Revenues Recognized	Program Expenses
<u>U.S. Department of Education</u>				
Student Financial Aid Cluster				
Federal Pell Grant Program	Direct	84.063	\$ 4,480,396	\$ 4,480,396
Federal Pell Grant - Adm. Allowance	Direct	84.063	<u>7,635</u>	<u>7,635</u>
Total Federal Pell Grant			4,488,031	4,488,031
Federal Supplemental Educational Opportunity Grant	Direct	84.007	95,526	95,526
Federal Work Study Program	Direct	84.033	91,683	91,683
Federal Direct Student Loans (Note 2)	Direct	84.268	<u>6,337,515</u>	<u>6,337,515</u>
Total Student Financial Aid Cluster			11,012,755	11,012,755
Office of Postsecondary Education				
Higher Education Institutional Aid	P031A080019	84.031	142,374	142,374
Pass-through Ohio Department of Education				
Career and Technical Education	VEC PII-P2014-509	84.048	60,465	60,465
Pass-through Ohio Board of Regents Career and Technical Education				
Basic Grants to States	SCTAI-2014	84.048	<u>4,000</u>	<u>4,000</u>
			64,465	64,465
Office of Special Education Programs Pass-through the University of Toledo				
The Partner Project	H325N110014	84.325	<u>2,844</u>	<u>2,844</u>
Total U.S. Department of Education			11,222,438	11,222,438
<u>U.S. Department of Health &amp; Human Services</u>				
Pass-through Ohio Board of Regents				
Telehealth Programs	G994235	93.211	12,000	12,000
<u>Small Business Administration</u>				
Pass-through Ohio Dept. of Development				
Small Business Development Center	56080	59.037	<u>91,528</u>	<u>91,528</u>
Total Federal Expenses			<u>\$ 11,325,966</u>	<u>\$ 11,325,966</u>

The notes to the schedule of federal awards revenues and expenses are an integral part of this statement.

TERRA COMMUNITY COLLEGE  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS REVENUES AND EXPENSES  
Year ended June 30, 2014

---

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Federal Awards Revenues and Expenses includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**NOTE 2 - OUTSTANDING LOANS**

The College participates in the Federal Direct Student Loans Program. The dollar amounts listed in the Schedule of Federal Awards Revenues and Expenses represents new loans awarded during the fiscal year ended June 30, 2014.



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the discretely presented component unit of Terra Community College, Sandusky County, (the College), which is a component unit of the state of Ohio, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated September 19, 2014.

### *Internal Control Over Financial Reporting*

As part of our financial statement audit, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the College's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the College's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the College's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Worthington, Ohio  
September 19, 2014



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

## Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

To the Board of Trustees:

### *Report on Compliance for the Major Federal Program*

We have audited Terra Community College's (the College) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Terra Community College's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the College's major federal program.

### *Management's Responsibility*

The College's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### *Auditor's Responsibility*

Our responsibility is to opine on the College's compliance for the College's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the College's major program. However, our audit does not provide a legal determination of the College's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Terra Community College complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

The College's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the College's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the College's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Worthington, Ohio  
September 19, 2014



**TERRA COMMUNITY COLLEGE**  
*SCHEDULE OF FINDINGS*  
*OMB CIRCULAR A-133 SECTION .505*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2014*

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under section .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: Federal Supplemental Educational Opportunity Grants, CFDA# 84.007; Federal Work Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063; Federal Direct Student Loans, CFDA# 84.268
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**TERRA COMMUNITY COLLEGE**  
*SCHEDULE OF FINDINGS*  
*OMB CIRCULAR A-133 SECTION .505*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2014*  
*(CONTINUED)*

---

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	None
----------------	------

**3. FINDINGS FOR FEDERAL AWARDS**

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



# Dave Yost • Auditor of State

**TERRA COMMUNITY COLLEGE**

**SANDUSKY 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 13, 2014**