CENTRAL OHIO TECHNICAL COLLEGE
Newark, Ohio

FINANCIAL STATEMENTS
June 30, 2019 and 2018

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Trustees
Central Ohio Technical College
1179 University Drive
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We have reviewed the *Independent Auditor's Report* of the Central Ohio Technical College, Licking County, prepared by Crowe LLP, for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

January 7, 2020

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INDEPENDENT AUDITOR'S REPORT

The President and Board of Trustees
Central Ohio Technical College and
David Yost, Auditor of State

Report on the Financial Statements

We have audited the accompanying financial statements of Central Ohio Technical College (the "College"), as of June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Ohio Technical College as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 to 9, the Schedules of the College's Proportionate Share of the Net Pension Liability and the Net OPEB Liability on pages 52 and 53, and the Schedules of the College's Pension and OPEB Contributions on page 54 and 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the schedule of Licking County Appointed Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying schedule of Licking County Appointed Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated the same date as this report on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Crowe LLP

Crowe LLP

Columbus, Ohio
December 30, 2019

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of Central Ohio Technical College (COTC) for the year ended June 30, 2019, with comparative information for fiscal year 2018. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About Central Ohio Technical College

Central Ohio Technical College offers an aggressive approach to technical education providing state-of-the-art training in the areas of allied health and public service, nursing, business and engineering. Chartered in 1971 to meet the region's growing need for technical training and education, COTC is the primary link between the region's businesses and the training and retraining of the workforce, a partnership that directly impacts the economic growth of the area.

Central Ohio Technical College is governed by a board of nine trustees who are responsible for the oversight of academic programs, budgets and general administration. The Governor of Ohio appoints three members and the School Board Caucus appoints six members.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB 35).

The net pension liability (NPL) is the largest single liability reported by COTC at June 30, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." In fiscal year 2018, COTC adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the COTC's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

(Continued)

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

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

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

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

The **Statement of Net Position** reflects the total assets, liabilities and net position of COTC as of June 30, 2019, with comparative information as of June 30, 2018. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as non-current. Investment assets are carried at market value. Capital assets, which include the buildings, improvements, and equipment, are shown net of accumulated depreciation. Net position is grouped in the following categories:

- Net investment in capital assets
- Restricted – Nonexpendable (endowments funds)
- Restricted – Expendable (quasi-endowment funds)
- Unrestricted

The **Statement of Revenues, Expenses and Changes in Net Position** details how net position has changed during fiscal year 2019, with comparative information for fiscal year 2018. Government accounting standards require state appropriations to be classified as non-operating revenues; so, generally, state-supported Colleges and universities will reflect an operating loss until non-operating items are included.

The **Statement of Cash Flows** details how cash has increased (or decreased) during the fiscal year 2019. It breaks out the sources and uses of COTC cash into the following categories:

- Operating activities
- Noncapital financing activities
- Capital financing activities
- Investing activities

The **Notes to the Financial Statements** provide additional details on the numbers in the financial statements. In addition to the Summary of Significant Accounting Policies, the report includes notes on capital assets, long-term debt, and operating expenses by natural classification.

(Continued)

Financial Highlights

Statement of Net Position

The College's financial statements for the fiscal year report net position of $31,107,213 at June 30, 2019. This represents a decrease from the previous fiscal year of $76,931. The condensed version of the Statement of Net Position followed by a discussion of the changes is below:

	June 30, 2019	June 30, 2018	June 30, 2017
ASSETS			
Current Assets	$ 22,064,459	$ 23,455,375	$ 21,653,643
Capital Assets, Net	32,725,422	31,370,241	32,115,209
Other Non-current	4,346,789	3,212,802	3,074,328
Total Assets	$ 59,136,670	$ 58,038,418	$ 56,843,180
DEFERRED OUTFLOWS			
Defined Benefit Pension Plan	$ 5,630,152	$ 6,493,253	$ 6,977,811
Other Post Employment Benefits	399,071	403,062	-
Total Deferred Outflows	$ 6,029,223	$ 6,896,315	$ 6,977,811
LIABILITIES			
Current Liabilities	$ 3,462,162	$ 3,230,281	$ 3,021,617
Non Current Liabilities	329,367	350,377	368,414
Net OPEB Liability	3,754,058	6,028,274	-
Net Pension Liability	20,959,004	20,694,641	31,023,799
Total Liabilities	$ 28,504,591	$ 30,303,573	$ 34,413,830
DEFERRED INFLOWS			
Defined Benefit Pension Plan	$ 3,670,986	$ 2,873,183	$ 541,369
Other Post Employment Benefits	1,883,103	573,833	-
Total Deferred Inflows	$ 5,554,089	$ 3,447,016	$ 541,369
NET POSITION			
Net Invested in Capital Assets	$ 32,684,230	$ 31,304,335	$ 32,024,587
Restricted			
Nonexpendable	2,124,450	1,992,190	1,905,611
Expendable	1,287,744	1,297,097	1,242,007
Unrestricted	(4,989,211)	(3,409,478)	(6,306,413)
Total Net Position	$ 31,107,213	$ 31,184,144	$ 28,865,792

(Continued)

Assets: As of June 30, 2019, the College's total assets, before deferred outflows are $59,136,670, an increase of $1,098,252 from fiscal year 2018. Overall, this increase is a result of the normal operations of the College throughout the fiscal year. Cash and cash equivalents decreased $1.5 million, with overall accounts receivable increasing $250,000 for the fiscal year. Changes at the Plan level for Other Post-Employment Benefits (OPEB) at State Teachers Retirement System (STRS) also required reporting both a Net OPEB Asset and Net OPEB Liability for this fiscal year, per GASB guidance.

Deferred Outflows: The College's deferred outflows are $6,029,223 a decrease of $867,092 from 2018. This reflects the change in the College's OPERS and STRS pension amounts during the year as well as recording of the Other Post-Employment Benefits (OPEB) for both OPERS and STRS.

Liabilities: At June 30, 2019, the College's routine liabilities totaled $3,791,529 million (excluding the Net OPEB & Net Pension Liability amounts), representing a small change from the previous year. The College's Net OPEB liability decreased by $2.27 million and the Net Pension liability increased slightly by $264,363 from the calculations in fiscal year 2018.

Deferred Inflows: The College's deferred inflows represent both 2019 OPERS and STRS pension amounts, as well as the 2019 deferred inflows for OPEB. For 2019 the total deferred inflows increased $2,107,073 from 2018.

Net Position: Net Position at June 30, 2019 totaled $31,107,213. A decrease of $76,931 from June 30, 2018.

(Continued)

Statement of Revenues, Expenses and Changes in Net Position

Total operating and non-operating revenues increased $301,652 for 2019, and routine expenses for the college were managed to meet the enrollment needs for the fiscal year. Below are the Statement of Revenues, Expenses and Changes in Net Position followed by a discussion of the major variances:

	June 30, 2019	June 30, 2018	June 30, 2017
OPERATING REVENUES			
Tuition and Fees, Net	$ 7,654,561	$ 7,691,336	$ 7,999,115
Other Operating Revenues	2,100,496	1,842,764	1,814,195
Total Operating Revenues	$ 9,755,057	$ 9,534,100	$ 9,813,310
OPERATING EXPENSES			
Education and General	$ 26,121,377	$ 16,898,671	$ 27,874,533
Depreciation Expense	1,452,002	1,444,096	1,571,683
Auxiliary Enterprises	3,542	6,530	5,898
Total Operating Expenses	27,576,921	18,349,297	29,452,114
Operating Loss	$ (17,821,864)	$ (8,815,197)	$ (19,638,804)
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	$ 12,220,088	$ 12,407,303	$ 12,917,558
Federal Grants and Contracts	4,667,292	4,677,012	4,831,442
Other Revenue (Expenses)	703,198	425,568	307,529
Net Non-operating Revenues	17,590,578	17,509,883	18,056,529
Capital Appropriation and Gifts and Grants	154,355	351,094	2,394,846
Increase (Decrease) in Net Position	(76,931)	9,045,780	812,571
Net Position-Beginning of Year	31,184,144	28,865,792	28,053,221
Cummulative Effect of GASB Implementation	-	(6,727,428)	-
Net Position-Beginning of Year, As Restated	31,184,144	22,138,364	28,053,221
Net Position-End of Year	$ 31,107,213	$ 31,184,144	$ 28,865,792

Operating revenues Overall, 2019 net tuition and fees remained largely equal to net tuition and fees from 2018. Other revenue items did increase approximately $258,000 over 2018 levels.

Operating expenses Overall, for 2019, operating expenditures for the campus were in line with expenditures for 2018. Again, the College was able to provide salary increases to faculty and staff in fiscal year 2019, close monitoring of overall budgets, course sections offered, and vacancies all combined to keep costs restrained and in line with the enrollment experienced during fiscal year 2019.

(Continued)

Statement of Cash Flows

COTC's Statement of Cash Flows reflects stable cash flows for the fiscal years presented.

	June 30, 2019	June 30, 2018	June 30, 2017
Net cash used by operating activities	$ (16,294,141)	$ (13,993,624)	$ (17,851,511)
Net cash provided by noncapital financing activities	16,887,380	17,084,315	17,749,000
Net cash (used) provided by capital financing activities	(2,859,438)	(359,385)	(787,100)
Net cash provided by capital investing activities	676,348	329,817	212,637
Net increase/decrease in cash	$ (1,589,851)	$ 3,061,123	$ (676,974)

The overall change in COTC's cash balances in 2019 is due to the normal operations of the College.

Summary

Central Ohio Technical College has continued a pattern of fiscal stability in its operations following the reduced enrollment experienced during this fiscal year. Continued conservative spending allowed for a near breakeven for the fiscal year, prior to recording the College's Net Pension Liability per GASB 68 and GASB 75.

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 19,337,598	$ 20,927,449
Accounts Receivable		
Students, Net of Allowance of $286,663 and $395,334 in 2019 and 2018, respectively	416,074	456,197
Ohio State University	235,358	282,096
Intergovernmental Grants	1,095,565	999,358
Pledges	3,825	4,175
Other Receivables	567,709	326,854
Other Assets	408,330	459,246
Total Current Assets	22,064,459	23,455,375
Noncurrent Assets		
Endowment Investments	3,393,356	3,212,802
Pledges	12,622	-
Net OPEB asset	940,812	-
Capital Assets, Net	32,725,422	31,370,241
Total Noncurrent Assets	37,072,211	34,583,043
Total Assets	59,136,670	58,038,418
Deferred Outflows of Resources		
OPEB OPERS	288,385	255,481
OPEB STRS	110,686	147,581
Pension OPERS	2,085,601	1,576,857
Pension STRS	3,544,551	4,916,396
Total Deferred Outflows of Resources	6,029,223	6,896,315
LIABILITIES		
Current Liabilities		
Accounts Payable	434,668	746,299
Accrued Liabilities	1,380,737	1,220,400
Unearned Revenue	1,622,042	1,238,867
Current Portion of Capital Leases	24,715	24,715
Total Current Liabilities	3,462,162	3,230,281
Noncurrent Liabilities		
Accrued Liabilities	312,890	309,185
Capital Leases	16,477	41,192
Net OPEB liability	3,754,058	6,028,274
Net pension liability	20,959,004	20,694,641
Total Noncurrent Liabilities	25,042,429	27,073,292
Total Liabilities	28,504,591	30,303,573
Deferred Inflows of Resources		
OPEB OPERS	207,050	258,619
OPEB STRS	1,676,053	315,214
Pension OPERS	973,781	1,131,396
Pension STRS	2,697,205	1,741,787
Total Deferred Resources of Inflows	5,554,089	3,447,016
NET POSITION		
Net Investment in Capital Assets	32,684,230	31,304,335
Restricted		
Nonexpendable - Scholarships, Fellowships, and Research	2,124,450	1,992,190
Expendable - Scholarships, Fellowships, and Research	1,287,494	1,240,152
Capital Uses	250	56,945
Unrestricted	(4,989,211)	(3,409,478)
Total Net Position	$ 31,107,213	$ 31,184,144

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

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the years ended June 30, 2019 and 2018

	2019	2018
Revenues		
Operating Revenues		
Tuition and Fees (net of scholarship allowances of $2,909,550 and $2,674,372 in 2019 and 2018, respectively)	$ 7,654,561	$ 7,691,336
Federal Grants and Contracts	321,015	298,670
Private, State, and Local Gifts, Contracts and Grants	1,330,291	1,266,899
Sales and Services of Educational Departments	113,230	123,913
Auxiliary Enterprises	28,945	31,951
Other Operating Revenues	307,015	121,331
Total Operating Revenues	9,755,057	9,534,100
Expenses		
Operating Expenses		
Instructional	7,936,375	2,180,581
Public Service	197,106	159,515
Academic Support	1,502,187	968,231
Student Services	5,111,164	3,873,518
Institutional Support	5,245,656	4,009,417
Operation and Maintenance of Plant	3,103,407	2,651,547
Depreciation Expense	1,452,002	1,444,096
Student Scholarship and Financial Aid	3,025,483	3,055,862
Auxiliary Enterprise	3,542	6,530
Total Operating Expenses	27,576,921	18,349,297
Operating Loss	(17,821,864)	(8,815,197)
Nonoperating Revenues (Expenses)		
State Appropriations	12,220,088	12,407,303
Federal Grants and Contracts	4,667,292	4,677,012
Investment Income	740,764	431,394
Interest on Indebtedness	(3,208)	(3,208)
Loss on Disposal of Capital Assets	(34,358)	(2,618)
Net Nonoperating Revenues	17,590,578	17,509,883
Income (loss) before Other Revenues, Expenses, Gains, or Losses	(231,286)	8,694,686
Capital Grants and Gifts	101,793	347,739
Additions to Permanent Endowments	52,562	3,355
Total Other Revenues	154,355	351,094
Increase (Decrease) in Net Position	(76,931)	9,045,780
Net position		
Net Position at Beginning of the Year	31,184,144	28,865,792
Net Position at End of the Year	$ 31,107,213	$ 31,184,144

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

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Tuition and Fees	$ 7,498,178	$ 7,647,647
Grants and Contracts	2,212,861	2,076,655
Payments to Suppliers	(6,292,547)	(5,229,019)
Payments for Utilities	(500,297)	(548,425)
Payments to Employees	(12,448,957)	(12,117,320)
Payments for Benefits	(3,749,736)	(3,682,322)
Payments for Scholarships	(3,142,768)	(3,245,144)
Auxiliary Enterprise Receipts	28,945	31,951
Sales and Services	100,180	1,072,353
Net Cash Used in Operating Activities	(16,294,141)	(13,993,624)
Cash Flows from Noncapital Financing Activities		
State Appropriations	12,220,088	12,407,303
Gifts and Grants Other than Capital	4,667,292	4,677,012
Net Cash from Noncapital Financing Activities	16,887,380	17,084,315
Cash Flows from Capital Financing Activities		
Purchase of Capital Assets	(2,831,515)	(331,462)
Principal Paid on Capital Related Debt	(24,715)	(24,715)
Interest on Capital Related Debt	(3,208)	(3,208)
Net Cash Used in Capital Financing Activities	(2,859,438)	(359,385)
Cash Flows from Investing Activities		
Investment Income	676,348	329,817
Net Cash Provided from Investing Activities	676,348	329,817
Net Increase (decrease) in Cash	(1,589,851)	3,061,123
Cash and Cash Equivalents, beginning of year	20,927,449	17,866,326
Cash and Cash Equivalents, end of year	$ 19,337,598	$ 20,927,449
Reconciliation of Net Operating Loss to Net Cash Used from Operating Activities		
Operating Loss	$ (17,821,864)	$ (8,815,197)
Adjustments to Reconcile Net Income (Loss) to Net Cash Used by Operating Activities		
Depreciation Expense	1,452,002	1,444,096
Changes in Assets and Liabilities		
Receivables, Net	(253,245)	1,323,389
Prepaids	50,916	(62,074)
Accounts Payable	(332,640)	342,245
Accrued Liabilities	204,015	(181,339)
Unearned Revenue	383,175	(3,576)
Pension and OPEB Deferred Inflows/Outflows	2,974,165	(3,740,284)
Pension and OPEB Liability/Asset	(2,950,665)	(4,300,884)
Net Cash Used in Operating Activities	$ (16,294,141)	$ (13,993,624)
Non Cash Transactions		
Contribution for OBR and Donated Asset	$ -	$ 297,739

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

NOTE 1 - NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

Central Ohio Technical College (COTC) was established in 1971 and currently serves over 4,300 students annually. The College operates campuses in Newark, Coshocton, Knox, and Pataskala, and serves an increasing number of students via online classes. Currently, the College offers more than 40 associate degrees and certificates within: Arts and Sciences; Engineering, Industrial and Business Technologies; Health and Human Services; and Public Safety Technologies. At COTC, students enjoy a competitive tuition rate, a wide range of campus activities and organizations, and strong academic support services.

COTC shares its Newark campus with The Ohio State University at Newark, which results in a diverse campus setting that includes 135 acres of green space. For more information, please visit www.cotc.edu.

COTC is accredited by The Higher Learning Commission and is a member of the North Central Association.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 35, *Basic Financial Statements — and Management's Discussion and Analysis —for Public Colleges and Universities* and subsequent pronouncements establish standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

- Net Investment in Capital Assets: The College's investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to the acquisition, construction, or improvement of those assets

- Restricted Nonexpendable: Resources subject to externally imposed stipulations that the College maintain them permanently. Such assets include the College's permanent endowment funds.

  Restricted Expendable: Resources whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

- Unrestricted: The unrestricted component of net position represents resources not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Accrual Basis: The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The College reports as a Business Type Activity (BTA) as defined by GASB 35. BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: This classification appears on the Statement of Net Position and the Statement of Cash Flows and includes petty cash, cash of deposit with private bank accounts and savings accounts. For purposes of the statement of cash flows and for presentation of the statement of net position, investments with original maturities of three months or less at the time they are purchased by the College are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments: Investments are stated at fair value. Purchases and sales of investments are accounted for on the trade date basis. Realized and unrealized gains and losses are reported as investment income or loss.

Accounts Receivable: Accounts receivable represents the balance of unpaid student tuition charges, federal and state grants receivable, and other receivables owed to the College.

Allowance for Doubtful Accounts: The allowance for doubtful accounts is determined by management based on the College's historical losses, specific student circumstances, and general economic conditions. Annually, management reviews accounts receivable and records an allowance for specific students based on current circumstances and charges off the receivable against the allowance when all attempts to collect the receivable have failed.

Pledges Receivable: The College has The Next Generation Challenge and Premier Faculty/Staff Scholarship as part of pledge receivables. These will provide funding for future scholarships.

Capital Assets: Capital assets are stated at cost at date of acquisition or, in the case of gifts, at fair market value at date of gift. Equipment, furniture, and library books with a unit cost of $2,500 or more and having an estimated useful life of greater than one year are capitalized. Renovations to buildings, infrastructure and land improvements over $2,500 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 is incurred.

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, generally 20 years for land improvements, 40 years for buildings, 5 - 10 years for fixed equipment, furniture, and library books. Depreciable leasehold improvements are depreciated over the lesser of the useful life or the lease term. Depreciation starts the month of purchase.

Cost Sharing Between Related Parties: The College shares campus facilities and staff, including senior administration with The Ohio State University at Newark. Jointly incurred costs are allocated between institutions based on student enrollment and utilization factors. Additionally, each institution may purchase certain services from each other.

Unearned Revenue: Unearned revenue consists primarily of summer school fees. The College received amounts for tuition and fees prior to June 30, 2019 and 2018 but relate to the subsequent accounting period. The College recognizes summer tuition revenue prorated on the basis of class dates within each fiscal year.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Noncurrent Liabilities: Noncurrent liabilities include compensated absences that will not be paid within the next fiscal year.

Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the employees earn the benefits if both of these conditions are met:

- The employee's right to receive compensation is attributable to services already rendered.
- It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For vacation leave the College posts a liability for 100% of accumulated vacation time up to the maximum allowed accrued benefit.

A liability for sick leave and other compensated absences with similar characteristics (hereinafter referred to as "sick leave") should be accrued using one of the following termination approaches:

- The sick leave liability generally would be an estimate based on governmental entity's past experience of making termination payments for sick leave, adjusted for the effects of changes in termination payment policy and other current factors. This approach is known as the termination payment method.
- The sick leave liability would be an accrual for those employees expected to become eligible in one year based on assumptions concerning the probability that individual employees, classes, or groups of employees will become eligible to receive termination benefits. This accumulation should be reduced to the maximum amount allowed as a termination benefit. This approach is known as the vesting method.

For sick leave liability, the College uses the vesting method. The College posts a liability for any employee with ten years of service in the retirement system. These accumulations are reduced to the maximum amount allowed as a termination payment.

Scholarship Allowances: Student tuition and fees revenue and certain other revenues from College charges are reported net of scholarship allowances in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship allowance discount.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources: Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period, but do not require further exchange of goods or services. Deferred inflows of resources represent the acquisition of resources that are applicable to a future resource period. Deferred outflows of resources in the College's financial statements consist primarily of differences between projections and actual investment earnings in the OPERS and STRS Ohio pension and OPEB plans and contributions subsequent to the measurement dates of the plans. In addition, deferred inflows of resources in the College's financial statements consist primarily of differences between projections and actual for the OPERS and STRS Ohio pension and OPEB plans as well as the change in the College's proportionate share of the plan's liabilities.

Pensions: For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net positions of the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS Ohio) and additions to/deductions from OPERS' and STRS Ohio's fiduciary net positions have been determined on the same basis as they are reported by these pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Other Postemployment Benefit Costs: For purposes of measuring the net other postemployment befit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPERS and STRS pension plan and additions to/deductions from OPERS and STRS' fiduciary net position have been determined on the same basis as they are reported by these OPEB systems. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The OPEB systems report investments at fair value.

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

Restricted Asset Spending Policy: The College's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

Operating Activities: The College defines operating activities, as reported on the statement of revenues, expenses, and changes in net position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, Pell, grants, contracts, and investment income, are recorded as non-operating revenues, in accordance with accounting principles generally accepted in the United States of America.

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 expenditures during the reporting period. Actual results could differ from those estimates.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Issued Accounting Pronouncements: As of the report date, the GASB issued the following statements not yet implemented by the College:

- GASB Statement No. 84, *Fiduciary Activities*, issued January 2017. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

- GASB Statement No. 87, *Leases*, issued June 2017. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* issued June 2018. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to simplify accounting for interest cost incurred before the end of construction, requiring them to be expensed as incurred.

- GASB Statement No. 90, *Majority Equity Interests,* issued August 2018. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

- GASB Statement No, 91, *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issuers.

The College has not yet determined the effect these Statements will have on the College's financial statements and disclosures.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2019 and 2018 were recorded as restricted and due as follows:

	2019	2018
Within one year	$ 3,825	$ 4,175
One to five years	12,262	-
	16,447	4,175
Allowance	-	-
Total	$ 16,447	$ 4,175

NOTE 4 - DEPOSITS AND INVESTMENTS

The College invests in those instruments identified by state statue. Specifically, authorized investment instruments consist of obligations of the U.S. Treasury, agencies and instrumentalities of the U.S. Government, bonds and other obligations of the State of Ohio and its political subdivisions and the State Treasury Asset Reserve of Ohio ("STAR Ohio" & "STAR Plus"), which are managed by the State of Ohio.

Deposits

At June 30, 2019 and 2018, the carrying amount of deposits (book balances) were as follows:

	2019	2018
Petty cash	$ 3,978	$ 3,978
Demand deposits	11,972,686	13,733,913
STAR Ohio funds	4,799,545	7,023,689
STAR Plus funds	2,561,389	165,869
	$ 19,337,598	$ 20,927,449

Custodial Credit Risk: At June 30, 2019, the carrying amount of the College's deposits was $11,972,686 and the bank balance was $12,101,911. The difference in the carrying amount and bank balance results primarily from outstanding checks. Of the bank balance, $250,000 is covered by federal deposit insurance. STAR Ohio and STAR Plus investments were also covered by federal deposit insurance of $4,799,545 and $2,561,389, respectively. At June 30, 2018, the carrying amount of the College's deposits was $13,733,913 and the bank balance was $13,637,309. The difference in the carrying amount and bank balance results primarily from outstanding checks. Of the bank balance, $250,000 is covered by federal deposit insurance. STAR Ohio and STAR Plus investments were also covered by federal deposit insurance of $7,023,689 and $165,869, respectively. The remaining bank balance at June 30, 2019 and 2018 of $11,851,911 and $13,387,309, respectively, is uninsured but collateralized by U.S. Treasuries held by the Federal Reserve Bank in "book entry" form in the name of the respective bank, and internally designates the securities as assigned to the College.

Investments

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

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investment reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

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

(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Assets classified in Level 1 of the fair value hierarchy are valued directly from a primary external pricing vendor.

Investments by Fair Value Level	June 30, 2019	Quoted Prices in Active Marks for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	$ 198,780	$ 198,780	$ -	$ -
Corporate Bonds	349,418	349,418	-	-
U.S. Government Obligations	0	0	-	-
Bond Mutual Funds	190,380	190,380	-	-
Domestic Equities	1,341,564	1,341,564	-	-
International Equities	240,886	240,886	-	-
Equity Mutual Funds	721,512	721,512	-	-
	3,042,540	3,042,540	-	-
Marketable Certificates of Deposits	350,816			
Money Market Funds	7,360,934			
	$ 10,754,290	$ 3,042,540	$ -	$ -

Investments by Fair Value Level	June 30, 2018	Quoted Prices in Active Marks for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	$ 130,088	$ 130,088	$ -	$ -
Corporate Bonds	317,771	317,771	-	-
U.S. Government Obligations	49,785	49,785	-	-
Bond Mutual Funds	184,023	184,023	-	-
Domestic Equities	1,200,392	1,200,392	-	-
International Equities	231,434	231,434	-	-
Equity Mutual Funds	727,338	727,338	-	-
	2,840,831	2,840,831	-	-
Marketable Certificates of Deposits	371,971			
Money Market Funds	7,189,558			
	$ 10,402,360	$ 2,840,831	$ -	$ -

(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2019, the College had the following investments and maturities using the segmented time distribution method:

		Investment Maturities (in years)		
Investment Type	Fair Value	<1	1-5	6-10
Fixed Income	$ 890,614	$ 589,746	$ 300,868	$ -
Equities and Equity Funds	2,303,962	2,303,962	-	-
STAR Ohio Funds	4,799,545	4,799,545	-	-
STAR Plus Funds	2,561,389	2,561,389	-	-
Total Investments	10,555,510	10,254,642	300,868	-
Cash Equivalents	198,780	198,780	-	-
	$ 10,754,290	$ 10,453,422	$ 300,868	$ -

As of June 30, 2018, the College had the following investments and maturities using the segmented time distribution method:

		Investment Maturities (in years)		
Investment Type	Fair Value	<1	1-5	6-10
Fixed Income	$ 923,550	$ 432,769	$ 490,781	$ -
Equities and Equity Funds	2,159,164	2,159,164	-	-
STAR Ohio Funds	7,023,689	7,023,689	-	-
STAR Plus Funds	165,869	165,869	-	-
Total Investments	10,272,272	9,781,491	490,781	-
Cash Equivalents	130,088	130,088	-	-
	$ 10,402,360	$ 9,911,579	$ 490,781	$ -

Investments at June 30, 2019 and 2018 are shown in the statement of net position as current cash equivalents in the amount of $7,360,934 and $7,189,558, respectively, and as non-current in the amount of $3,393,356 and $3,212,802, respectively.

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 Investment Policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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 and corporate issues in the top four quality rating of recognized credit services. Investments below investment grade and derivatives are specifically prohibited.

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2019 and 2018, the College had the following investments and quality ratings:

Investment Type	Rating	2019 Fair Value	2018 Fair Value
Cash Equivalents		$ 198,780	$ 130,088
STAR Ohio	AAA	4,799,545	7,023,689
STAR Plus		2,561,389	165,869
Fixed Income			
US Gov't Agency/Exempt State	AA+	-	49,784
Corporate Bonds and Notes	AA-	-	49,457
	AA+	49,950	49,293
	A+	99,755	74,055
	A	149,261	144,967
	A-	50,452	-
Marketable CD		350,816	371,971
Mutual Funds		190,380	184,023
Equity			
Common Stock		1,341,564	1,200,392
Mutual Funds		962,398	958,772
		$ 10,754,290	$ 10,402,360

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 limits investment in any single issue other than U.S. government securities to 10% of the total investment portfolio.

(Continued)

NOTE 5 - CAPITAL ASSETS, NET

Capital assets as of June 30, 2019 and 2018 are summarized below.

	July 1, 2018 Balance	Additions	Reductions	June 30, 2019 Balance
Assets:				
Land	$ 1,076,228	$ 98,960	$ -	$ 1,175,188
Land Improvements	541,686	6,985	-	548,671
Buildings	43,665,737	-	22,880	43,642,857
Leasehold Improvements	230,637	-	21,428	209,209
Equipment, Furniture, and Library Books	7,249,676	275,512	403,520	7,121,668
Construction in Progress	501,455	2,500,000	-	3,001,455
	53,265,419	2,881,457	447,828	55,699,048
Accumulated Depreciation:				
Land Improvements	154,814	27,376	-	182,190
Buildings	15,812,937	1,091,643	7,436	16,897,144
Leasehold Improvements	194,896	8,913	21,428	182,381
Equipment, Furniture, and Library Books	5,732,531	363,985	384,606	5,711,911
	21,895,178	1,491,917	413,470	22,973,627
Capital Assets, Net	$ 31,370,241	$ 1,389,540	$ 34,359	$ 32,725,422

	July 1, 2017 Balance	Additions	Reductions	June 30, 2018 Balance
Assets:				
Land	$ 1,076,228	$ -	$ -	$ 1,076,228
Land Improvements	541,686	-	-	541,686
Buildings	43,396,039	269,698	-	43,665,737
Leasehold Improvements	230,637	-	-	230,637
Equipment, Furniture, and Library Books	6,875,289	391,874	17,487	7,249,676
Construction in Progress	501,455	-	-	501,455
	52,621,334	661,572	17,487	53,265,419
Accumulated Depreciation:				
Land Improvements	127,729	27,085	-	154,814
Buildings	14,721,294	1,091,643	-	15,812,937
Leasehold Improvements	181,672	13,224	-	194,896
Equipment, Furniture, and Library Books	5,475,430	271,970	14,869	5,732,531
	20,506,125	1,403,922	14,869	21,895,178
Capital Assets, Net	$ 32,115,209	$ (742,350)	$ 2,618	$ 31,370,241

(Continued)

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable to vendors and contractors totaled $434,668 and $746,299 as of June 30, 2019 and 2018, respectively.

Accrued expense activity, which consists primarily of payroll and vacation leave, for the years ended June 30, 2019 and 2018, was as follows:

	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued Liabilities	$ 1,529,585	$ 10,635,002	$ 10,470,959	$ 1,693,627	$ 1,380,737
Net OPEB Liability/Asset	6,028,274	282,351	3,497,379	2,813,246	-
Net Pension Liability	20,694,641	2,956,647	2,692,284	20,959,004	-

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued Liabilities	$ 1,670,950	$ 9,959,353	$ 10,100,558	$ 1,529,585	$ 1,220,400
Net OPEB Liability	6,727,428	248,605	947,759	6,028,274	-
Net Pension Liability	31,023,799	-	10,329,158	20,694,641	-

NOTE 7 – CAPITAL LEASES

Capital assets acquired by lease have been capitalized in the Statements of Net Position in both fiscal years 2019 and 2018 in the amount of $123,576. A corresponding long-term liability was recorded on the Statements of Net Position. Accumulated amortization in fiscal years 2019 and 2018 totaled $82,384 and $57,669, respectively.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2019:

2020	$ 27,923
2021	18,616
Total Minimum Lease Payments	46,539
Less: Amount representing interest	(5,347)
Present Value of Net Minimum Lease Payments	$ 41,192

Interest expense for the years ended June 30, 2019 and 2018 was $3,208 and $3,208, respectively.

(Continued)

NOTE 8 – OPERATING LEASE COMMITMENTS

The College leases certain office equipment, vehicles, and classroom space under operating leases. The following summarizes the approximate future minimum rental payments required under operating leases as of June 30, 2019:

2020	$ 148,736
2021	113,590
2022	25,839
2023	10,835
	$ 299,000

Rent expense was $233,989 and $241,591 for the years ended June 30, 2019 and 2018, respectively.

The majority of the lease expense is part of the cost share calculation with The Ohio State University - Newark Campus (Note 1).

NOTE 9 - RETIREMENT PLANS

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

NOTE 9 - RETIREMENT PLANS (Continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Descriptions: College faculty are provided with pensions through the State Teachers Retirement System of Ohio (STRS). Substantially all other College employees are provided with pensions through the Ohio Public Employees Retirement System (OPERS). Both OPERS and STRS are statewide cost-sharing multiple employer defined benefit pension plans. Authority to establish and amend benefits for OPERS and STRS are authorized [by Chapters 145 and 3307, respectively, of] the Ohio Revised Code. Both OPERS and STRS issue publicly available financial reports. The OPERS report can be obtained at https://www.opers.org/investments/cafr.shtml. The STRS report can be obtained at https://www.strsoh.org/publications/annualreports/cafrs.html.

OPERS and STRS Ohio each offer three separate retirement plans: a defined benefit plan, a defined contribution plan, and a combined plan.

OPERS and STRS Defined Benefit Plans pay service retirement benefits using a fixed formula based on age, years of service and salary. In addition to service retirement, participants are eligible for disability and survivor benefits.

OPERS Member-Directed Plan and STRS Defined Contribution Plan are optional alternative retirement plans available to new members. Participants allocate both member and employer contributions in investment choices provided by STRS Ohio. Benefits are based on the member's account value.

OPERS and STRS Combined Plans offer features of both a defined benefit plan and a member-directed or defined contribution plan. In the combined plans, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit along with disability and survivor benefits.

Benefits Provided: OPERS and STRS provide retirement, disability, annual cost-of-living adjustments, and survivor benefits for plan members and beneficiaries. The benefit provisions stated in the following paragraphs are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

OPERS Benefits

Under OPERS, retirement benefits are specific to each plan and members must meet the eligibility requirements based on their age and years of service within the plan. Retirement eligibility also varies by division and transition group.

Members who were eligible to retire under law in effect prior to SB 343 before January 7, 2023 are included in transition Groups A and B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

State and Local members in transition groups A and B are eligible for retirement benefits at age 60 with 5 years of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service.

NOTE 9 - RETIREMENT PLANS (Continued)

Under the Traditional Plan, for Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. Final average salary represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Under the Combined Plan, the benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's final average salary for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's final average salary and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Member-Directed participants must have attained the age of 55, have money on deposit in the Defined Contribution Plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts.

The OPERS law enforcement program consists of two separate divisions: Law Enforcement and Public Safety. Both groups of members are eligible for special retirement options under the Traditional Pension Plan and are not eligible to participate in the Member-Directed or Combined plans. Public Safety Group members may file an application for full retirement benefits at age 48 or older with 25 or more years of credited service or 52 or older with 15 or more years of credited service for Groups A and B. Public Safety Group C is eligible for benefits at age 52 or older with 25 years or at age 56 or older with 15 years. Those members classified as Law Enforcement officers are eligible for full retirement at age 52 or older with 15 or more years of credited service for Group A. Law Enforcement Group B is eligible at age 48 or older with 25 years or at age 52 or older with 15 years of service. Law Enforcement Group C is eligible at age 48 or older with 25 years of service or at age 56 with 15 years of service. Annual benefits under both divisions are calculated by multiplying 2.5% of final average salary by the actual years of service for the first 25 years of service credit, and 2.1% of final average salary for each year of service over 25 years. In the Combined Plan, the benefit formula for the defined benefit component of the plan for state and local members in transition Groups A and B applies a factor of 1.0% to the member's FAS and the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. These options also permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect coverage under either the original plan or the revised plan. All members who entered the System after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. Law Enforcement officers are immediately eligible for disability benefits if disabled by an on-duty illness or injury. Members participating in the Member-Directed Plan are not eligible for disability benefits.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. Law Enforcement and Public Safety personnel are eligible for survivor benefits immediately upon employment.

Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit.

STRS Benefits

Under the Defined Benefit Plan, on or before July 1, 2015, benefits are based on 2.2% of final average salary for the three highest years of earnings, multiplied by years of total Ohio service credit. The percentages increase if the member has 35 or more years of contributing service credit. Effective Aug. 1, 2015, benefits are based on an annual amount equal to 2.2% of final average salary for the five highest years of earnings, multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective Aug. 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 and five years of service on Aug. 1, 2026.

Under the Combined Plan, member contributions are allocated among investment choices by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular Defined Benefit Plan. Benefits are based on the balance in the member's defined contribution account plus an annual amount equal to 1% of final average salary for the three highest paid years multiplied by years of total Ohio service credit. Effective Aug. 1, 2015, final average salary will be average of the member's five highest salary years. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the Combined Plan may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

The Defined Contribution Plan allows members to place all their member and 9.5% of employer contributions into an investment account. Investment allocation decisions are determined by the member. 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.

A Defined Benefit Plan or Combined Plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Disability benefits are determined in the same manner as retirement benefits. Members in the Defined Contribution Plan who become disabled are entitled only to their account balance. If a member of the Defined Contribution Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Under the Defined Benefit Plan, members will receive a 2% annual cost of living adjustment beginning on the fifth anniversary of retirement. Under the Combined Plan, a cost of living adjustment is not available on the service retirement benefit. For disability and survivor benefits, the basic benefit is increased each year by 2% of the original base benefit.

NOTE 9 - RETIREMENT PLANS (Continued)

Contributions:

OPERS Contributions

Employer and member contribution rates are established by the OPERS Board subject to limits per Chapter 145 of the Ohio Revised Code. Under the OPERS plans, the employee contribution rate for the years ended June 30, 2018 and 2017 is 10% for all employees with the exception of law enforcement. The law enforcement contribution rate was 12.6% through December 31, 2013 and increased to 13% effective January 1, 2014. The employer contribution rate is 14% for all employees with the exception of law enforcement whose rate is 18.1%. For Member-Directed Plans, for the years ended June 30, 2019 and 2018, 13.23% was paid into the member's member-directed account and the remaining .77% was paid to OPERS, as required by state legislation, to cover unfunded liabilities.

The College's contributions to OPERS were $624,643, $609,904 and $664,234 for the fiscal years ended June 30, 2019, 2018 and 2017, respectively, whereas the College's contributions to the ARP totaled $85,727, $96,259 and $72,205. The College's contributions were equal to the required contributions for each year as set by state statute.

STRS Contributions

Employer and member contribution rates are established by the STRS Board and limited by Chapter 3307 of the Ohio Revised Code. Under the STRS plans, the employee contribution rate is 14%, for years ended June 30, 2019 and 2018, respectively. Under the Combined Plan, 1% of the employee contribution is to fund the defined benefit. The employer contribution rate is 14%. Under the Defined Contribution Plan, 4.5% of the employer contribution is used to amortize the unfunded actuarial accrued liability of the defined benefit plan.

The College's contributions to STRS for the years ended June 30, 2019, 2018 and 2017, respectively, were $965,972, $910,920 and $988,836, whereas the College's contributions to the ARP totaled $75,108, $72,422 and $57,661, respectively. The College's contributions were equal to the required contributions as set by state statute.

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

OPERS Pension Costs

At June 30, 2019, the College reported a liability of $8,085,541 for its proportionate share of the OPERS net pension liability compared to $5,128,894 at June 30, 2018. The net pension liability was measured as of December 31, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to OPERS relative to the total employer contributions received from all of OPERS' participating employers. At December 31, 2018, the College's proportion was .029640% for Traditional Plan, .028664% for the Combined Plan, and .008829% for the Member-Directed Plan. At December 31, 2017, the College's proportion was .032953% for Traditional Plan, .029726% for the Combined Plan, and .009353% for the Member-Directed Plan. This represents a decrease in proportionate share of .003313% for Traditional Plan, and a decrease of .001062% for the Combined Plan, and a decrease of .000524% for the Member-Directed Plan. At December 31, 2016, the College's proportion was .035527% for Traditional Plan, .022552% for the Combined plan, and .009897 for the Member-Directed Plan. This represents a decrease in proportionate share of .002574% for Traditional Plan, an increase of .007174% for the Combined Plan, and a decrease of .000544 for the Member-Directed Plan.

NOTE 9 - RETIREMENT PLANS (Continued)

For the year ended June 30, 2019, the College recognized pension expense of $2,290,288. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,288	$ 123,633
Net difference between projected and actual earnings on pension plan investments	1,047,411	-
Changes of assumptions	721,975	-
Change in proportionate share	-	850,148
College contributions subsequent to the measurement date	314,927	-
Total	$ 2,085,601	$ 973,781

For the year ended June 30, 2018, the College recognized pension expense of ($276,331). At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,253	$ 114,652
Net difference between projected and actual earnings on pension plan investments	-	1,016,744
Changes of assumptions	668,792	-
Change in proportionate share	610,786	-
College contributions subsequent to the measurement date	291,026	-
Total	$ 1,576,857	$ 1,131,396

At June 30, 2019, the College reported $314,927 as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPERS pensions will be recognized in pension expense as follows:

2020	$ 272,892
2021	67,648
2022	37,999
2023	496,328
2024	(18,960)
Thereafter	(59,014)

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

STRS Pension Costs

At June 30, 2019, the College reported a liability of $12,873,463 for its proportionate share of the STRS net pension liability compared to $15,565,747 at June 30, 2018. The net pension liability was measured as of July 1, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's long-term share of contributions to the pension plan relative to the total employer contributions from all participating STRS employers. At June 30, 2018 and 2017, the College's proportionate share was .05854833% and .06552560%, respectively. This represents a decrease in proportionate share of .006977%. At June 30, 2017 and 2016, the College's proportionate share was .06552560% and .06861890%, respectively. This represents a decrease in proportionate share of .003093%.

For the year ended June 30, 2019, the College recognized pension expense of ($365,021). At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 297,159	$ 84,071
Net difference between projected and actual earnings on pension plan investments	-	780,633
Changes of assumptions	2,281,420	-
Change in proportionate share	-	1,832,501
College contributions subsequent to the measurement date	965,972	-
Total	$ 3,544,551	$ 2,697,205

For the year ended June 30, 2018, the College recognized pension expense of ($7,237,779). At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 601,076	$ 125,454
Net difference between projected and actual earnings on pension plan investments	-	513,688
Changes of assumptions	3,404,400	-
Change in proportionate share	-	1,102,645
College contributions subsequent to the measurement date	910,920	-
Total	$ 4,916,396	$ 1,741,787

In 2018, deferred outflows of resources includes the College's proportionate share of the effects of changes in assumptions resulting from STRS experience study for the period 2011 through 2016.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

At June 30, 2019, the College reported $965,972 as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to STRS pensions will be recognized in pension expense as follows:

2020	$ 611,576
2021	150,749
2022	(446,786)
2023	(434,165)

Actuarial Assumptions

OPERS Actuarial Assumptions

The total pension liability in the December 31, 2018 and 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2018	2017
Inflation	3.25%	3.25%
Salary increases (average, including inflation)	3.25% - 10.75%	3.25% - 10.75%
Investment rate of return	7.20%	7.50%
Cost of living adjustment (simple)	3.00%	3.00%

Mortality rates are the RP-2014 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2014 mortality table with no projections. For males, 120% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

The actuarial assumptions used in the December 31, 2018 and 2017 valuations were based on the results of an actuarial experience study for the five year period ended December 31, 2016.

The allocation of investment assets within the Defined Benefit portfolio is approved by the OPERS Board as outlined in the annual investment plan. The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2018 and 2017 along with the arithmetic long-term expected real rates of return:

NOTE 9 - RETIREMENT PLANS (Continued)

Asset Class Return	2018 Target Allocation	2018 Long-Term Expected Real Rate of Return
Fixed income	23.00%	2.79%
Domestic equity	19.00	6.21
International equity	20.00	7.83
Real estate	10.00	4.90
Private equity	10.00	10.81
Other	18.00	5.50
Total	100.00%	

Asset Class Return	2017 Target Allocation	2017 Long-Term Expected Real Rate of Return
Fixed income	23.00%	2.20%
Domestic equity	19.00	6.37
International equity	20.00	7.88
Real estate	10.00	5.26
Private equity	10.00	8.97
Other	18.00	5.26
Total	100.00%	

STRS Actuarial Assumptions

The total pension liability in the July 1, 2018 and 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2018	2017
Inflation	2.50%	2.50%
Salary increases (average, including inflation)	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 70
Investment rate of return	7.45%	7.45%
Cost of living adjustment (simple)	nonenone	

Mortality rates were based on the RP-2014 Annuitant Mortality Table for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2018 and 2017 valuations are based on the results of an actuarial experience study, effective June 30, 2017.

NOTE 9 - RETIREMENT PLANS (Continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class for both the 2018 and 2017 valuation years are summarized as follows:

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

Discount Rate: The discount rate used to measure OPERS total pension liability was 7.2% and 7.5% as of December 31, 2018 and 2017, respectively. The projection of cash flows used to determine the discount rates assumed that employee and College contributions will be made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan, Combined Plan, and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure STRS total pension liability was 7.45% as of June 30, 2018 and 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018 and 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018 and 2017.

NOTE 9 - RETIREMENT PLANS (Continued)

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate: The following presents the College's proportionate share of the OPERS pension plans net pension liability calculated using the discount rate of 7.2% and 7.5%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2% and 6.5%, respectively) or 1-percentage-point higher (8.2% and 8.5%, respectively) than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
College's proportionate share of the net pension liability for June 30, 2019:			
Traditional Pension Plan	$ 11,992,344	$ 8,117,795	$ 4,898,010
Combined Plan	(10,606)	(32,053)	(47,582)
Member-Direct Plan	(88)	(201)	(353)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net pension liability for June 30, 2018:			
Traditional Pension Plan	$ 9,180,047	$ 5,169,687	$ 1,826,255
Combined Plan	(21,997)	(40,467)	(53,209)
Member-Direct Plan	(187)	(326)	(468)

The following presents the College's proportionate share of the STRS pension plans net pension liability calculated using the discount rate of 7.45%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net pension liability for June 30, 2019:	$ 18,799,998	$12,873,463	$ 7,857,455

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net pension liability for June 30, 2018:	$ 22,312,968	$ 15,565,747	$ 9,882,224

Pension plan fiduciary net position: Detailed information about OPERS and STRS fiduciary net position is available in the separately issued financial reports. Financial reports for OPERS may be obtained o at www.opers.org or by writing to Ohio Public Employees Retirement System, Director-Finance, 277 East Town Street, Columbus, Ohio 43215-4642. Financial reports for STRS may be obtained at strsoh.org or by writing to State Teachers Retirement System of Ohio, Attn: Chief Financial Officer, 275 E. Broad St., Columbus, OH 43215-3771.

(Continued)

NOTE 10 – POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS): OPERS provides access to post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Access to health care coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided per the Ohio Revised Code.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 0.0% during calendar year 2018 and 1.0% during calendar year 2017. Beginning in calendar year 2018, the amount was reduced to 0%. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the College's calendar year 2019 and 2018, contributions required and made to OPERS used to fund post-retirement benefits was $0 and $5,821, respectively.

State Teachers Retirement System (STRS Ohio): 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 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.

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 0% of the covered payroll was allocated to post-employment health care for the years ended June 30, 2019, 2018 and 2017. Effective July 1, 2014, 0% of covered payroll was allocated to post-employment health care. The portion of the College's fiscal years 2019 and 2018 contributions required and made to STRS Ohio used to fund post-employment benefits was $0 in both years.

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

OPERS OPEB Costs

At June 30, 2019, the College reported a liability of $3,754,058 for its proportionate share of the OPERS net OPEB liability compared to $3,471,707 at June 30, 2018. The net OPEB liability was measured as of December 31, 2018 and 2017 respectively, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on the College's long-term share of contributions to OPERS relative to the total projected long-term employer contributions received from all of OPERS' participating employers. At December 31, 2018 and 2017, the College's proportion was .02879% and .03197%, respectively. This represents a decrease in proportionate share of .00318%.

The net OPEB liability and asset for the Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2018 and December 31, 2017, and the total OPEB liabilities were determined by an actuarial valuation as of that date.

For the years ended June 30, 2019 and 2018, the College recognized OPEB expense of $203,856 and 245,765, respectively. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Continued)

NOTE 10 – POST-EMPLOYMENT BENEFITS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
2019		
Differences between expected and actual experience	$ 1,411	$ 10,186
Changes of assumptions	134,141	-
Changed in proportionate share	-	196,864
Net difference between projected and actual earnings on pension plan investments	152,833	-
Total	$ 288,385	$ 207,050
2018		
Differences between expected and actual experience	$ 255,481	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	258,619
Total	$ 255,481	$ 258,619

Amounts reported as deferred outflows and inflows of resources related to OPERS OPEB will be recognized in OPEB expense as follows for the year ended June 30, 2019:

2020	$ (43,312)
2021	67,645
2022	(18,968)
2023	(86,700)

STRS OPEB Costs

At June 30, 2019 the College reported an asset of $940,812 compared to a liability of $2,556,567 as of June 30, 2018 for its proportionate share of the STRS net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and June 30, 2017 respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities. At June 30, 2018 and 2017, the College's proportion was .05855% and .06553%, respectively. This represents a decrease of in proportionate share of.00698%

(Continued)

NOTE 10 – POST-EMPLOYMENT BENEFITS (Continued)

For the year ended June 30, 2019 and 2018 respectively, the College recognized pension expense of ($2,099,645) and ($780,126). At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2019		
Differences between expected and actual experience	$ 110,686	$ 55,000
Changes of assumptions	-	1,282,000
Changes in proportionate share		232,053
Net difference between projected and actual earnings on pension plan investments	-	107,000
Total	$ 110,686	$ 1,676,053
2018		
Differences between expected and actual experience	$ 147,581	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	315,214
Total	$ 147,581	$ 315,214

Amounts reported as deferred outflows and inflows of resources related to STRS OPEB will be recognized in OPEB expense as follows for the year ended June 30, 2019:

2020	$ (401,819)
2021	(401,819)
2022	(401,819)
2023	(359,910)

(Continued)

NOTE 10 – POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

OPERS Actuarial Assumptions

The total OPEB liability in the December 31, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2018
Single Discount Rate	3.96%
Investment rate of return	6.00%
Wages inflation	3.25%
Municipal Bond Rate	3.71%
Projected Salary increases	3.25% to 10.75% (includes wage inflation at 3.25%)
Health Care Cost Trends	10.0% initial, 3.25% ultimate in 2029

	2017
Single Discount Rate	3.85%
Investment rate of return	6.50%
Wages inflation	3.25%
Municipal Bond Rate	3.31%
Projected Salary increases	3.25% to 10.75% (includes wage inflation at 3.25%)
Health Care Cost Trends	7.50% initial, 3.25% ultimate in 2028

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The actuarial assumptions used in the December 31, 2018 valuations were based on the results of an actuarial experience study for the 2-year periods ending December 31, 2016. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

The long-term expected rate of return is arithmetic and determined using a building block method in which best estimate ranges of expected future real rates of returns are developed for each major asset class. These ranges are combined to produce the long-term expected best estimates of arithmetical rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

(Continued)

NOTE 10 – POST-EMPLOYMENT BENEFITS (Continued)

Asset Class Return	2018 Target Allocation	2018 Long-Term Expected Real Rate of Return
Fixed income	34.00%	2.42%
Domestic equity	21.00	6.21
International equity	22.00	7.83
Real estate	6.00	5.98
Other	17.00	5.57
Total	100.00%	

Asset Class Return	2017 Target Allocation	2017 Long-Term Expected Real Rate of Return
Fixed income	34.00%	1.88%
Domestic equity	21.00	6.37
International equity	22.00	7.88
Real estate	6.00	5.91
Other	17.00	5.39
Total	100.00%	

STRS Actuarial Assumptions

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018 and 2017, actuarial valuation are presented below:

	2018	
Inflation	3.00%	
Salary increases (average, including inflation)	12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation	
Cost of living adjustment (simple)	0.00%	
Blended discount rate of return	7.45%	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

(Continued)

NOTE 10 – POST-EMPLOYMENT BENEFITS (Continued)

	2017
Inflation	2.50%
Salary increases (average, including inflation)	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Cost of living adjustment (simple)	0.00%
Blended discount rate of return	7.45%
Health Care Cost Trends	6.00% to 11.00% initial, 4.50% ultimate

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

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

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. The long-term expected rate of return is geometric and determined using a building block method in which best estimate ranges of expected future real rates of returns are developed for each major asset class. These ranges are combined to produce the long-term expected best estimates of geometric rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

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

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

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class for both the 2018 and 2017 valuation years are summarized as follows:

(Continued)

NOTE 10 – POST-EMPLOYMENT BENEFITS (Continued)

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

Discount Rate:

OPERS discount rate

A single discount rate of 3.96% and 3.85% was used to measure the OPERS OPEB liability on the measurement date of December 31, 2018 and 2017 respectively. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and 6.50% and a municipal bond rate of 3.71% and 3.31% based on an index of 20-year general obligation bonds with an average AA credit rating at December 31, 2018 and 2017, respectively. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031 as of December 31, 2018 and through 2034 as of December 31, 2017. As a result, the long-term expected rate of return on health care investments was applied to projected costs through 2031 at December 31, 2018 and 2034 at December 31, 2017, and the municipal bond rate was applied to all health care costs after that date.

STRS discount rate

The discount rate used to measure the total STRS OPEB liability was 7.45% and 4.13% as of June 30, 2018 and 2017 respectively. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. At June 30, 2018, the plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on the OPEB plan investments was used as the discount rate. At June 30, 2017, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2037 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate.

(Continued)

NOTE 10 – POST-EMPLOYMENT BENEFITS (Continued)

Sensitivity of the College's proportionate share of the OPERS net OPEB liability to changes in the discount rate and health care trend rates: The following table presents the OPEB liability calculated using the single discount rate of 3.96% and 3.85% at June 30, 2019 and 2018 respectively, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Sensitivity of College's proportionate share of the net OPEB liability to changes in discount rate for June 30, 2018	$ 4,802,839	$ 3,754,058	$ 2,920,000

	1% Decrease	Current Rate	1% Increase
Sensitivity of College's proportionate share of the net OPEB liability to changes in the health care cost trend rate for June 30, 2018	$ 3,608,464	$ 3,754,058	$ 3,921,743

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
Sensitivity of College's proportionate share of the net OPEB liability to changes in discount rate for June 30, 2017	$ 4,612,612	$ 3,471,707	$ 2,548,968

	1% Decrease	Current Rate	1% Increase
Sensitivity of College's proportionate share of the net OPEB liability to changes in the health care cost trend rate for June 30, 2017	$ 3,321,683	$ 3,471,707	$ 3,262,677

The following table represents the College's share of the STRS net OPEB liability as of June 30, 2019 and 2018, calculated using the current period discount rate assumption of 7.45% and 4.13% respectively, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Sensitivity of College's proportionate share of the net OPEB liability to changes in discount rate at June 30, 2018	$ (806,364)	$ (940,812)	$ (1,053,809)

(Continued)

NOTE 10 – POST-EMPLOYMENT BENEFITS (Continued)

	1% Decrease	Current Rate	1% Increase
Sensitivity of College's proportionate share of the net OPEB liability to changes in the health care cost trend rate at June 30, 2018	$ (1,047,430)	$ (940,812)	$ (832,533)

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Sensitivity of College's proportionate share of the net OPEB liability to changes in discount rate at June 30, 2017	$ 3,432,381	$ 2,556,567	$ 1,864,695

	1% Decrease	Current Rate	1% Increase
Sensitivity of College's proportionate share of the net OPEB liability to changes in the health care cost trend rate at June 30, 2017	$ 1,776,313	$ 2,556,567	$ 1,864,695

Pension plan fiduciary net position: Detailed information about OPERS and STRS fiduciary net position is available in the separately issued financial reports. Financial reports for OPERS may be obtained at www.opers.org or by writing to Ohio Public Employees Retirement System, Director-Finance, 277 East Town Street, Columbus, Ohio 43215-4642. Financial reports for STRS may be obtained at strsoh.org or by writing to State Teachers Retirement System of Ohio, Attn: Chief Financial Officer, 275 E. Broad St., Columbus, OH 43215-3771.

NOTE 11 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

The College's operating expenses by natural classification were as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Salaries and wages	$ 12,625,702	$ 11,943,204
Employee benefits	3,800,359	(4,366,090)
Supplies and materials	943,151	1,088,250
Services	5,112,643	4,446,268
Utilities	500,296	548,425
Depreciation	1,452,002	1,444,096
Student scholarships and financial aid	3,142,768	3,245,144
	$ 27,576,921	$ 18,349,297

As a result of the benefits recognized in the current year related to the decrease in the College's pension liability, the employee benefit expense decreased significantly from 2018 to 2019.

(Continued)

NOTE 12 - RISK MANAGEMENT

Central Ohio Technical College is exposed to various risks of loss related to torts, theft of, damage to, and destructions of assets, errors, omissions, injuries to employees and natural disasters. The College contracts with Wright Specialty Insurance and United Educators for property and general liability insurance, including boiler and machinery coverage. General liability insurance is maintained in the amount of $1,000,000 for each occurrence and $3,000,000 in the aggregate. The College also carries a $10,000,000 excess liability policy that provides coverage beyond the general liability. There has been no significant change in coverage from the prior year.

Vehicles are covered by Wright Specialty Insurance and hold a $500 deductible. Automobile liability coverage has a $1,000,000 limit. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years and there has been no significant reduction in coverage from the prior year.

Central Ohio Technical 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.

Central Ohio Technical College provides life insurance to its employees through the Ohio State University.

Central Ohio Technical College obtains hospitalization coverage for its employee through the Ohio State University. The carrier for the hospitalization coverage is NGS American, Inc., Delta Dental for dental insurance, and Vision Service Plan for vision insurance. The College pays a composite rate per employee and the employees co-pay based on their insurance plan and level of coverage. Premiums are paid from the same funds that pay the employees' salaries.

Central Ohio Technical College is involved from time to time in routine litigation. Management does not believe that the ultimate resolution of this litigation will be material to its financial condition or results of operation.

The College receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs, generally requires compliance with terms and conditions specified in the grant and is subject to audit by the grantor agencies. The College is currently undergoing a program review by the U.S, Department of Education. Any disallowed claims resulting from such audits could become a liability of the unrestricted or restricted educational and general funds or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial statements of the College at June 30, 2019.

SUPPLEMENTAL INFORMATION

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CENTRAL OHIO TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2019

	Federal CFDA Number	Pass-Through Entity Number	Expenditures
United States Department of Education			
Direct Award			
Student Financial Aid Cluster:			
Federal Direct Student Loans	84.268		$ 5,070,276
Federal Pell Grant	84.063		4,667,292
Federal Supplemental Education Opportunity Grant (SEOG)	84.007		104,223
Federal Work Study	84.033		86,370
Total Student Financial Aid Cluster			9,928,161
Passed through State Department of Education			
Career and Technical Education - Perkins Grant:			
Disability Services			129,494
Total Perkins Grant	84.048	06507820-C2	129,494
Total Expenditures of Federal Awards			$ 10,057,655

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the College under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2 – OUTSTANDING LOANS

The College originates but does not make Federal Direct Student Loans (FDLs). For the fiscal year 2019, the College certified need for $5,070,276 in loans. The amount presented represents the value of new FDLs awarded during the fiscal year as follows:

Federal Subsidized Loans	$ 2,252,090
Federal Unsubsidized Loans	2,744,455
Plus Loans	73,731
Total FDL	$ 5,070,276

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

To the President and Board of Trustees
Central Ohio Technical College and
David Yost, Auditor of State
Newark, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Ohio Technical College as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Central Ohio Technical College's financial statements, and have issued our report thereon dated December 30, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Response to Findings

Central Ohio Technical College's response to the finding identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Central Ohio Technical College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Crowe LLP

Crowe LLP

Columbus, Ohio
December 30, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the President and Board of Trustees
Central Ohio Technical College and
David Yost, Auditor of State
Newark, Ohio

Report on Compliance for Each Major Federal Program

We have audited Central Ohio Technical College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Central Ohio Technical College's major federal programs for the year ended June 30, 2019. Central Ohio Technical College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Central Ohio Technical College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Crowe LLP

Crowe LLP

Columbus, Ohio
December 30, 2019

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiencies identified not considered to be material weaknesses?	X	Yes		None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiencies identified not considered to be material weakness(es)?		Yes	X	None reported
Type of auditors' report issued on compliance for major programs	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes	X	No

(Continued)

PART I: SUMMARY OF AUDITORS' RESULTS (Continued)

Name of Major Program Identified	CFDA Number(s)
U.S. Department of Education	
Student Financial Aid Cluster:	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Federal Direct Student Loans	84.268

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

Auditee qualified as low-risk auditee? ___X___ Yes ________ No

PART II: FINANCIAL STATEMENT FINDINGS SECTION

FINDING 2019-001 – INTERNAL CONTROLS OVER FINANCIAL REPORTING

Criteria:	The College should have internal controls over the financial reporting process designed to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America.
Condition:	An audit adjustment was recorded to correct the pension liability, deferred items and expense amounts.
Context:	The College did not have controls in place to properly identify a calculation error in the pension calculation in a timely manner
Effect:	The College did not record transactions impacting the pension liability, deferred items and expense amounts in a timely manner.
Cause:	The reconciliation prepared by the client had a formula error that lead to amounts being recorded as deferred outflows instead of deferred. inflows.
Repeat Finding:	No
Recommendation:	We recommend that the College increase the control and review procedures in place over the pension liability calculation.
Response:	See management's corrective action plan.

PART III: MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION

There were no findings for the year ended June 30, 2019.

(Continued)

PART IV: SUMMARY OF PRIOR YEAR FINDINGS

There were no findings for the year ended June 30, 2018.

CENTRAL OHIO TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the years ended June 30, 2019, 2018, 2017 and 2016

OPERS (As of previous 12/31)	2019	2018	2017	2016	2015
College's proportion of the collective net pension liability (asset) – Traditional Plan	0.029640%	0.032953%	0.035527%	0.037311%	0.037627%
College's proportion of the collective net pension liability (asset) – Combined Plan	0.028664%	0.029726%	0.022552%	0.021480%	0.029324%
College's proportion of the collective net pension liability (asset) – Combined Plan	0.008829%	0.009353%	0.009897%	0.009104%	0.009104%
College's proportionate share of the collective net pension liability (asset)	$ 8,085,541	$ 5,128,894	$ 8,054,985	$ 6,487,394	$ 4,526,946
College's covered payroll	4,461,736	4,356,460	4,744,529	4,673,834	4,846,915
College's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll	181.22%	117.73%	169.77%	138.80%	93.40%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.85%	77.39%	85.00%	84.00%
STRS Ohio (As of previous 6/30)					
College's proportion of the collective net pension liability (asset)	0.05854833%	0.06552560%	0.06861890%	0.07075184%	0.07087%
College's proportionate share of the collective net pension liability (asset)	$ 12,873,463	$ 15,565,747	$ 22,968,814	$ 19,582,614	$ 17,238,170
College's covered payroll	6,899,800	6,506,574	7,063,113	7,100,915	7,302,216
College's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll	186.58%	239.23%	325.19%	275.78%	236.07%
Plan fiduciary net position as a percentage of the total pension liability	70.0 %	75.3%	66.8%	72.10%	74.70%

NOTE: Years prior to 2015 are not available.

CENTRAL OHIO TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
For the year ended June 30, 2019

OPERS OBEP (As of previous 12/31	2019	2018
College's proportion of the collective OPEB liability (asset)	0.028794%	0.031970%
College's proportionate share of the collective OPEB liability (asset)	$ 3,754,058	$ 3,471,707
College's covered payroll	4,461,736	4,356,460
College's proportionate share of the collective OPEB liability as a percentage of the employer's covered payroll	84.14%	79.69%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	60.70%
STRS Ohio OPEB (As of previous 6/30)		
College's proportion of the collective OPEB liability (asset)	0.058548%	0.065530%
College's proportionate share of the collective OPEB liability (asset)	$ (940,812)	$ 2,556,567
College's covered payroll	6,899,800	6,506,574
College's proportionate share of the collective OPEB liability as a percentage of the employer's covered payroll	13.64%	39.29%
Plan fiduciary net position as a percentage of the total OPEB liability	176.0%	47.1%

NOTE: Years prior to 2018 are not available.

CENTRAL OHIO TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE COLLEGE'S PENSION CONTRIBUTIONS
For the years ended June 30, 2019, 2018, 2017 and 2016

OPERS (As of previous 12/31)	2019	2018	2017	2016	2015
Statutorily required contribution	$ 624,643	$ 609,904	$ 664,234	$ 654,337	$ 678,568
Contributions in relation to the statutorily required contribution	624,643	609,904	664,234	654,337	678,568
Annual contribution deficiency	-	-	-	-	-
College's covered payroll	4,461,736	4,356,460	4,744,529	4,673,834	4.846.915
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%
STRS Ohio (As of previous 6/30)					
Statutorily required contribution	$ 965,972	$ 910,920	$ 988,836	$ 994,128	$1,022,310
Contributions in relation to the statutorily required contribution	965,972	910,920	988,836	994,128	1,022,310
Annual contribution deficiency	-	-	-	-	-
College's covered payroll	6,899,800	6,506,574	7,063,113	7,100,915	7,302,216
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%

NOTE: Years prior to 2015 are not available.

CENTRAL OHIO TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE COLLEGE'S OPEB CONTRIBUTIONS
For the year ended June 30, 2019

	2019	2018
OPERS OBEP (As of previous 12/31)		
Statutorily required contribution	$ -	$ 245,765
Contributions in relation to the statutorily required contribution	-	245,765
Annual contribution deficiency	-	-
College's covered payroll	4,461,736	4,356,460
Contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered payroll	-	1.00%
STRS Ohio OPEB (As of previous 6/30)		
Statutorily required contribution	$ -	$ -
Contributions in relation to the statutorily required contribution	-	-
Annual contribution deficiency	-	-
College's covered payroll	6,899,800	6,506,574
Contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered payroll	-	0%

NOTE: Years prior to 2018 are not available.

Board of Trustees:

Title/Name	Term Expires	Surety	Amount of Coverage
Cheryl L. Snyder (1)	2021	(2)	$ 1,000,000
Chairperson Robert A. Montagnese	2020	(2)	1,000,000
Billie J. Zimmers	2019	(2)	1,000,000
Steven A. Cohen	2021	(2)	1,000,000
Marion M. Sutton (1)	2021	(2)	1,000,000
Gordon Yance (1)	2022	(2)	1,000,000
Barry M. Riley (1)	2019	(2)	1,000,000
J. Andrew Crawford (1)	2020	(2)	1,000,000
Vice-Chairperson Paul M. Thompson (1)	2020	(2)	1,000,000

(1) School Board Caucus

(2) Marsh USA, Wright Specialty Insurance, Uniondale, New York. The College also has a $10 million umbrella insurance policy with United Educators. Chevy Chase, Maryland.

(Continued)

Cabinet Members:

Name	Title	Surety	Amount of Coverage
Dr. John Berry	President	(3)	$ 1,000,000
Dr. Lauri White	Vice President for Academic Affairs	(3)	1,000,000
Mr. David Brillhart	Vice President for Business and Finance	(3)	1,000,000
Ms.Vicki Maple	Vice President for Workforce Development	(3)	1,000,000
Dr. Jacqueline Parrill	Vice President for Institutional Planning and Human Resource Development	(3)	1,000,000

(3) Marsh USA, Wright Specialty Insurance, Uniondale, New York. The College also has a $15 million umbrella insurance policy with United Educators. Chevy Chase, Maryland.

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OHIO AUDITOR OF STATE
KEITH FABER

CENTRAL OHIO TECHNICAL COLLEGE

LICKING 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
JANUARY 21, 2020