MARION TECHNICAL COLLEGE

Financial Statements

June 30, 2019

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Trustees
Marion Technical College
1467 Mt. Vernon Avenue
Marion, Ohio 43302

We have reviewed the *Independent Auditors' Report* of the Marion Technical College, Marion County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

January 2, 2020

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Marion Technical College
Marion, Ohio

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Marion Technical College (the "College"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

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

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

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

Other Matters

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

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedules of the Board of Trustees and the Administrative Personnel are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The schedules of the Board of Trustees and the Administrative Personnel have 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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 30, 2019

The discussion and analysis of Marion Technical College's financial statements provides an overview of the College's financial activities for the year ending June 30, 2019. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers. The discussion and analysis contains financial activities of Marion Technical College.

Using This Annual Report

This annual financial report includes three financial statements:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

These financial statements are prepared in accordance with Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* and subsequent statements. The Marion Technical College Foundation (the Foundation) has been determined to be a component unit of the College. Accordingly, the Foundation is discretely presented in the College's financial statements. The Foundation is excluded from Management's Discussion and Analysis. Complete financial statements for the Foundation can be obtained from the Controller at the College.

One of the most important questions asked about the College's finances is whether the College, as a whole, is better off or worse off as a result of the year's activities. The three financial statements should assist readers of the annual report in answering this question. These statements present financial information in a form similar to that used by the private sector.

The College's net position is one indicator of its financial health. Over time, increases or decreases in net position is one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. The College's (as well as all other public colleges) dependency on State aid, grants and gifts will result in operating deficits because the financial reporting model classifies State appropriations, Pell grants and gifts as nonoperating revenues. The utilization of long-lived assets referred to as capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The Statement of Cash Flows presents the information related to cash inflows and outflows summarized by operating, capital and non-capital financing and investing activities.

Statement of Net Position

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Net position is simply the difference between the total assets and deferred outflows of resources, less the total liabilities and deferred inflows of resources. The change in net position during the fiscal year is an indicator of the change in the overall financial condition of the College during the year.

A summary of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2019 and 2018 is as follows:

	2019	2018	Change
Current assets	$ 9,629,099	$ 9,110,911	$ 518,188
Noncurrent assets	7,991,191	6,462,128	1,529,063
Total assets	17,620,290	15,573,039	2,047,251
Deferred outflows of resources	3,957,996	4,620,217	(662,221)
Current liabilities	4,701,238	3,594,957	1,106,281
Noncurrent liabilities	17,508,656	20,036,461	(2,527,805)
Total liabilities	22,209,894	23,631,418	(1,421,524)
Deferred inflows of resources	2,878,186	1,990,289	887,897
Net position			
Net investment in capital assets	7,274,080	6,462,128	811,952
Restricted			
Expendable	947,038	1,073,618	(126,580)
Unrestricted (deficit)	(11,730,912)	(12,964,197)	1,233,285
Total net position	$ (3,509,794)	$ (5,428,451)	$ 1,918,657

Current assets increased by $518,188 or 5.7% from 2018 to 2019 primarily due to increases in accounts receivable. Noncurrent assets increased by $1,529,063 due to capital asset purchases through state capital appropriations offset by current year depreciation expense as well as the addition of a net other post-employment benefits (OPEB) asset. Significant asset additions included equipment for classroom laboratories and construction in progress. Current liabilities increased by $1,106,281 or 30.8% from 2018 to 2019 primarily due to an increase in accounts payable due to OSUM for services provided to the College under the shared use agreement. The current year increase is due to delays in OSUM's billing process as the College did not receive a final bill for 2016, 2017, 2018 or 2019 until after year-end. The noncurrent liabilities decreased $2,527,805 or 12.6% due to decreases in the net pension and OPEB liabilities. Net position increased primarily as a result of decreases in the net pension and OPEB liabilities. Changes in the deferred inflows and outflows of resources are a direct result of pension plan performance at both SERS and STRS and other post-employment benefits.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the results of operations for the College. A summary of the College's revenues, expenses and changes in net position for the years ended June 30, 2019 and 2018 is as follows:

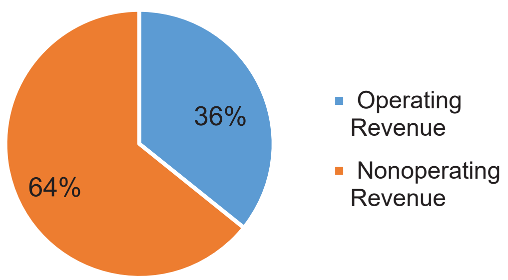
	2019	2018	Change
Operating revenues			
Student tuition and fees, net	$ 4,938,410	$ 4,765,606	$ 172,804
Grants and contracts	783,377	1,136,376	(352,999)
Other operating revenues	298,744	611,297	(312,553)
Total operating revenues	6,020,531	6,513,279	(492,748)
Operating expenses	14,913,759	10,992,895	3,920,864
Operating loss	(8,893,228)	(4,479,616)	(4,413,612)
Nonoperating revenues (expenses)			
State appropriations	7,529,009	7,330,556	198,453
Federal grants	2,608,365	2,658,626	(50,261)
Investment income	33,202	7,088	26,114
Capital appropriations	641,309	124,802	516,507
Other nonoperating items	-	(620)	620
Net nonoperating revenues (expenses)	10,811,885	10,120,452	691,433
Increase in net position	1,918,657	5,640,836	(3,722,179)
Net position - beginning of year	(5,428,451)	(11,069,287)	5,640,836
Net position - end of year	$ (3,509,794)	$ (5,428,451)	$ 1,918,657

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

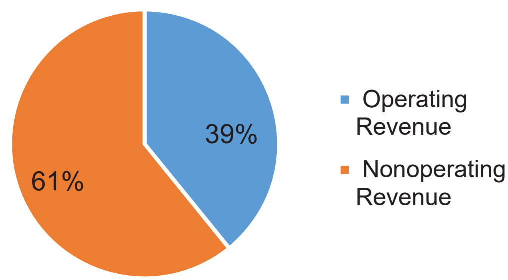
Operating Revenue

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

Revenues 2019

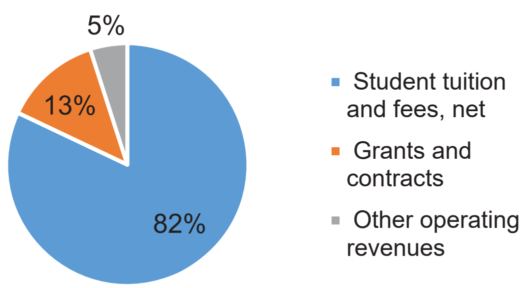


Revenues 2018

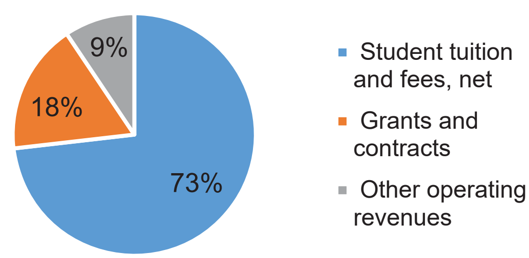


The charts below reflect the College's operating revenue for the fiscal years ended June 30, 2019 and 2018:

Operating Revenues 2019



Operating Revenues 2018



State legislature did not allow for a tuition increase for 2018; however, there was a 3% increase in tuition allowed for fiscal year 2019. This, along with an increase in lab fees, resulted in a 4% increase overall in net student tuition and fees revenue in fiscal year 2019. Gross tuition and fees were $6,673,071 and $6,532,485 in fiscal years 2019 and 2018, respectively.

Scholarship allowances decreased 1.8% in fiscal year 2019. Scholarship allowances totaled $1,734,661 and $1,766,879 for fiscal years 2019 and 2018, respectively. FTE decreased 1.4% from 1,383.7 in fiscal year 2018 to 1,364.5 in fiscal year 2019.

Grant and contract revenue decreased in fiscal year 2019 by $352,999 or 31.1%. The decrease in grant revenue for fiscal year 2019 was due to the timing of new grants beginning and existing grants ending during the year.

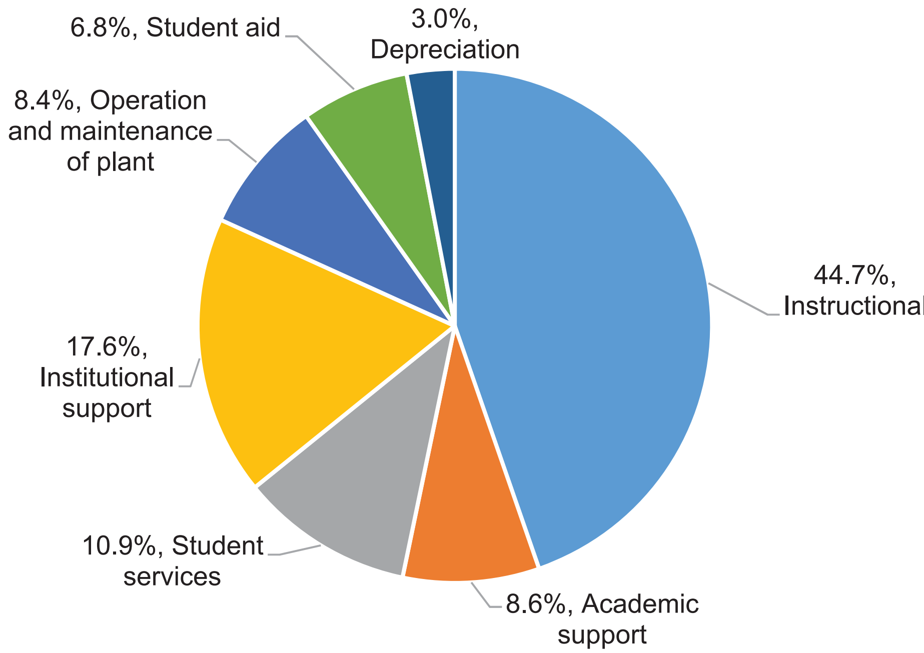
Nonoperating Revenue

The College's largest single source of revenue is the nonoperating revenue received from the State of Ohio. The College's State share of instruction amounted to $7,529,009 and $7,330,556 in fiscal years 2019 and 2018, respectively.

Pell grants decreased in fiscal year 2019 by $50,261 or 1.9% compared to fiscal year 2018. This decline is attributed to a decline in enrollment compared to fiscal year 2018.

Operating Expenses

The following is a graphic illustration of expenses by function for the year ended June 30, 2019:



The increase in expenses in FY 2019 was the result of:

- Increases in functional categories of instructional of 47.2%, student services of 95.1%, institutional support of 160.7% are primarily related to prior year significant negative net pension and other post-employment benefit expense adjustments and rising insurance premiums. Decrease in the functional category of academic support of 9.2% is primarily related to a reduction of grant expenditures related to program development, salaries, and classroom and lab equipment and supplies. There was a decrease in functional category of operation and maintenance of plant of 29.1% and an increase in depreciation of 9.2%. Decreases in operation and maintenance of plant relate to various building repairs and parking lot improvements being completed in fiscal year 2018 that did not repeat in fiscal year 2019. The increase in depreciation expense is primarily due to the additional depreciation charged to the current year additions.

- Decreases in student aid of 1.6%. The decrease in student aid is attributed to a decline in FTE between years 2019 and 2018.

The following table shows a comparison of total operating expenses per FTE for fiscal years 2019 and 2018. Total operating expenses per FTE student increased by $2,985 during fiscal year 2019.

	2019	2018	Change	% Change
Total operating expenses	$ 14,913,759	$ 10,992,895	$ 3,920,864	35.7%
FTE Enrollment	1,364.5	1,383.7	(19.2)	-1.4%
Total operating expense per FTE	$ 10,930	$ 7,945	$ 2,985	37.6%

Capital and Debt Administration

Capital Assets

At June 30, 2019 and 2018, the College had $7,274,080 and $6,462,128, respectively, invested in capital assets.

The details of the capital assets at June 30, 2019 and 2018 are shown below:

	2019	2018
Machinery and Equipment	$ 635,514	$ 373,134
Computers and Computer Equipment	57,092	110,801
Vehicles	363,790	412,614
Land Improvements	311,207	343,061
Building	4,557,040	4,699,023
Construction in Progress	1,349,437	523,495
Investment in capital assets	$ 7,274,080	$ 6,462,128

Capital additions this year included the purchases of classroom and lab equipment as well as building renovations.

The College has planned capital expenditures for fiscal year ending June 30, 2020 to include the purchase of classroom and lab equipment. These planned expenditures normally include replacement of computers for academic computer labs and administration as well as various pieces of equipment for instructional labs. More detailed information about the College's capital assets is presented in Note 4 to the financial statements.

Debt

At June 30, 2019, the College had no debt.

The Statement of Cash Flows

The Statement of Cash Flows also provides information about the College's financial health by reporting the cash receipts and cash payments of the College during the year ended June 30, 2019. The following is a summary of the Statement of Cash Flows for the years ended June 30, 2019 and 2018:

	2019	2018
Cash provided (used) by:		
Operating activities	$ (9,580,193)	$ (9,292,291)
Noncapital financing activities	10,137,374	9,988,562
Capital and related financing activities	(619,260)	(924,787)
Investing activities	(1,000,000)	-
Net decrease in cash	(1,062,079)	(228,516)
Cash, beginning of year	5,020,805	5,249,321
Cash, end of year	$ 3,958,726	$ 5,020,805

Cash and cash equivalents decreased by $1,062,079 from 2018 to 2019 primarily as a result of a transfer of cash to the STAR Ohio investment account. Investments had an increase of $1,033,202 in fiscal year 2019.

Economic Factors that Will Affect the Future

The College anticipates flat enrollment for fiscal year 2020. The low unemployment rate continues to put pressure on enrollment. The College raised tuition for fiscal year 2020 by $5 per credit hour for the spring and summer semesters in 2020, as permitted by state law. State subsidy will increase $404,107 or 5.4% over the upcoming fiscal year. The College's share of state instructional subsidy increased to 2.7% for fiscal year 2020 as compared to 1.65% in fiscal year 2019.

Marion Technical College
Statement of Net Position
June 30, 2019

Assets		College	Component Unit Foundation
Current assets			
Cash and cash equivalents	$	3,666,305	52,452
Cash with fiscal agent		292,421	-
Investments		1,583,699	-
Student accounts receivable, net		2,334,202	-
Book inventory		15,284	-
Other receivables, net		1,737,188	-
Total current assets		9,629,099	52,452
Noncurrent assets			
Investment with fiscal agent		-	970,763
Net OPEB asset		717,111	-
Capital assets, not being depreciated		1,349,437	-
Capital assets, net of depreciation		5,924,643	-
Total noncurrent assets		7,991,191	970,763
Total assets		17,620,290	1,023,215
Deferred outflows of resources			
OPEB		297,145	-
Pensions		3,660,851	-
Total deferred outflows of resources		3,957,996	-
Liabilities			
Current liabilities			
Accounts payable		256,632	-
Accounts payable - OSUM		3,529,516	-
Accrued payroll		383,175	-
Claims payable		139,986	-
Unearned revenue		44,668	-
Accrued compensated absences		347,261	-
Total current liabilities		4,701,238	-
Noncurrent liabilities			
Accrued compensated absences		290,025	-
Net OPEB liability		2,396,679	-
Net pension liability		14,821,952	-
Total noncurrent liabilities		17,508,656	-
Total liabilities		22,209,894	-
Deferred inflows of resources			
OPEB		1,431,775	-
Pensions		1,446,411	-
Total deferred inflows of resources		2,878,186	-
Net position			
Investment in capital assets		7,274,080	-
Restricted			
Expendable			
Student grants and scholarships		123,769	-
Instructional department uses		823,269	-
Unrestricted (deficit)		(11,730,912)	1,023,215
Total net position	$	(3,509,794)	1,023,215

See accompanying notes to financial statements.

		College	Component Unit Foundation
Operating revenues			
Student tuition and fees,			
(net of scholarship allowance of $1,734,661)	$	4,938,410	-
Federal grants and contracts		139,116	-
State and local grants and contracts		576,536	-
Nongovernmental grants and contracts		67,725	-
Contributions		-	49,502
Other operating revenues		298,744	-
Total operating revenues		6,020,531	49,502
Operating expenses			
Educational and general			
Instructional		6,664,419	-
Academic support		1,278,435	-
Student services		1,629,230	-
Institutional support		2,623,959	-
Operation and maintenance of plant		1,255,534	-
Student aid		1,013,565	88,272
General and administrative		-	2,968
Depreciation expense		448,617	-
Total operating expenses		14,913,759	91,240
Operating income (loss)		(8,893,228)	(41,738)
Nonoperating revenues (expenses)			
State appropriations		7,529,009	-
Investment income		33,202	58,995
Federal grants and contracts		2,608,365	-
Other nonoperating items		-	(14,839)
Net nonoperating revenues (expenses)		10,170,576	44,156
Gain before other revenues, expenses, gains, or losses		1,277,348	2,418
Capital appropriations		641,309	-
Total other revenues, expenses, gains, or losses		641,309	-
Change in net position		1,918,657	2,418
Net position - beginning of year		(5,428,451)	1,020,797
Net position - end of year	$	(3,509,794)	1,023,215

See accompanying notes to financial statements.

	College
Cash flows from operating activities	
Tuition and fees	$ 4,349,934
Grants and contracts	783,377
Supplier and related payments	(3,459,414)
Employee and related payments	(11,552,834)
Other receipts	298,744
Net cash from operating activities	(9,580,193)
Cash flows from noncapital financing activities	
State appropriations	7,529,009
Federal grants revenue	2,608,365
Net cash from noncapital financing activities	10,137,374
Cash flows from capital financing activities	
Capital grants and gifts proceeds	641,309
Purchase of capital assets	(1,260,569)
Net cash from capital financing activities	(619,260)
Cash flow from investing activities	
Net purchase of investments	(1,033,202)
Income on investments	33,202
Net cash from investing activities	(1,000,000)
Net change in cash and cash equivalents	(1,062,079)
Cash and cash equivalents, beginning of year	5,020,805
Cash and cash equivalents, end of year	$ 3,958,726
Reconciliation of cash and cash equivalents to the Statement of Net Position:	
Cash and cash equivalents	$ 3,666,305
Cash with fiscal agent	292,421
	$ 3,958,726

(continued)

See accompanying notes to financial statements.

	College
Reconciliation of operating loss to net cash from operating activities	
Operating loss	$ (8,893,228)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation expense	448,617
Amortization of CCP book inventory	42,289
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Student accounts receivable, net	(1,246,605)
Other receivables, net	650,716
Inventory	(30,567)
Prepaid expenses	37,102
Net OPEB asset	(717,111)
Deferred outflows of resources	662,221
Accounts payable	(221,969)
Unearned revenue	7,413
Accounts payable - OSUM	1,350,000
Accrued payroll	(421)
Claims payable	(27,138)
Net pension liability	(924,701)
Net OPEB liability	(1,555,378)
Compensated absences	(49,330)
Deferred inflows of resources	887,897
Net cash from operating activities	$ (9,580,193)

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity

Marion Technical College ("College") is a public, state assisted, two-year institution of higher learning. The College provides instructional programs in various fields and workforce development training. The College was chartered by the Ohio Department of Higher Education as a political subdivision in accordance with the provisions of Chapter 3357 of the Ohio Revised Code.

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

Marion Technical College Foundation ("Foundation") is a legally separate, tax-exempt organization that exists to provide financial assistance to the educational programs, services, and facilities of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources or incomes thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Therefore, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The College operates under the control of a board of trustees. The College is not a component unit of the State of Ohio, and therefore, is not included in its Comprehensive Annual Financial Report (CAFR).

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* ("GASB Statement No. 35") and subsequent statements issued by GASB, established standards for external financial reporting for public colleges and universities and require that resources be classified for accounting and reporting purposes into the following net position categories:

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

- **Restricted, nonexpendable** – Net position subject to externally-imposed stipulations that they be maintained permanently by the College.

- **Restricted, expendable** – Net position whose use 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. These represent amounts for capital construction projects, student services, and public service initiatives.

- **Unrestricted** – Net position that are not subject to externally-imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the College's policy to apply the restricted resources first, then unrestricted resources as needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statement presentation required by GASB Statement No. 35 is intended to provide a comprehensive, entity-wide perspective of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

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

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand and demand deposits with banks. For purposes of the statement of cash flows, the College considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents include cash and money market funds, stated at cost, which approximates fair value.

Investments
Investments are reported at fair value based on quoted market prices. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the statements of revenue, expense and changes in net position.

Accounts Receivable
Accounts receivable represents the balance of unpaid student tuition charges, federal and state grants receivable, and other receivables owed to the College. The allowance for doubtful accounts related to student receivables is based on historical collection rates and management's analysis. Management reviews the accounts receivable annually and adjusts the allowance to correspond with the collection rates.

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. Periodically, management reviews accounts receivable and records an allowance for specific student receivables based on current circumstances and charges off the receivable when all attempts to collect the receivable have failed.

Inventories
Inventories are comprised of text books and educational materials and are stated at actual cost using the first-in, first-out method.

Capital Assets
Capital assets are recorded at cost or, if acquired by gift, at acquisition value at the date of the gift. In the absence of historical cost records, equipment is recorded at the current cost of replacement as of that date, based on an inventory and appraisal of the equipment by an independent appraisal firm. Land improvements, buildings and improvements, machinery, and equipment items costing $2,500 or more and having an estimated useful life of greater than one year are capitalized. Routine repairs and maintenance and items costing less than the capitalization thresholds are charged to operating expense in the year in which the expense is incurred.

Capital asset are capitalized and depreciated on a straight-line basis over the estimated useful life of the property as follows:

Classification	Years
Land Improvements	10-20
Buildings and Improvements	10-50
Machinery and Equipment	5-20
Computer Equipment	5-10
Vehicles	5-10

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences
Noncurrent liabilities include compensated absences that will not be paid within the next fiscal year. Employees earn vacation and sick leave benefits based, in part, on length of service. Upon separation from service, employees are paid their accumulated vacation and sick pay based upon the nature of the separation. Certain limits are placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding the limits are forfeited. The estimated and accrued liability is recorded at year end in the statements of net position, and the net change from the prior year is recorded as a component of operating expense in the statements of revenues, expenses, and changes in net position.

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

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the College, deferred outflows of resources are reported on the statement of net position for amounts related to pension and OPEB plans as explained in Notes 8 and 9.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflows of resources are related to pension and OPEB plans and are reported on the statement of net position (See Notes 8 and 9).

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

Operating and Nonoperating Revenues
The College's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position is to report those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as defined by GASB Statements No. 34 and 35, including state appropriations and investment income. Pell grants are considered nonexchange transactions and are recorded as nonoperating revenues in the accompanying financial statements.

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, deferred outflows of resources, liabilities and deferred inflows of resources 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarship Discounts and Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements based on whether or not they are considered exchange transactions. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

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

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

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

Upcoming Accounting Pronouncements
GASB Statement No. 84: *Fiduciary Activities*, was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB Statement No. 84 are effective for fiscal year 2020. The College is currently evaluating the impact GASB Statement No. 84 may have on its financial statements.

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

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

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

NOTE 2 – CASH AND INVESTMENTS

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

<u>Cash with Fiscal Agent:</u> The College is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2019 was $292,421. This amount is not included in the "deposits" or "investments" reported below.

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

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

At June 30, 2019, the carrying amount of the College's cash and cash equivalents was $3,666,305 and the bank balances were $3,986,403. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the June 30, 2019 bank balances, $250,000 is covered by federal deposit insurance. The remaining balances of cash and cash equivalents are collateralized by the depository institution per Ohio Revised Code 135.182 or by a pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State (OPCS program).

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

<u>Investments:</u> At June 30, 2019, investments included $1,583,699 in State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants.* The College measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

NOTE 2 – CASH AND INVESTMENTS (Continued)

The total of deposits and investments, by type, at June 30, 2019 are as follows:

Cash	$ 3,666,305
Star Ohio	1,583,699
Total	$ 5,250,004

There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the STAR Ohio investors will be combined for these purposes. STAR Ohio carries a rating of AAAm by Standard and Poor's.

Component Unit

At June 30, 2019, the carrying and the bank balance amount of the Foundation's cash deposits was $52,452. The entire bank balance was covered by FDIC insurance at June 30, 2019.

Credit Risk: As of June 30, 2019, the investment balance recorded on the Foundation's statement of net position is $970,763. These investments are held and managed by a local community foundation. In accordance with the Accounting Standards Codification (ASC) No. 58-325-25, Recognition", the funds are to be maintained as assets within the College's Foundation accounting records. Under ASC No. 958-325-25, when a transfer of assets to a resource provider specifies itself or an affiliate as the beneficiary, the transaction is not considered a disbursement in the form of a contribution, but maintained as assets, even if the variance power has been explicitly granted to the recipient organization. Accordingly, the Foundation recognizes these funds as investments held by a fiscal agent.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Foundation's investment policy calls for a maximum exposure to the stock market shall be approximately sixty percent (60%) of the total portfolio. The remaining assets shall be invested in fixed income or short-term investments as outlined herein. Cash balances maintained as part of the normal course of business may be invested in a money market fund. As of June 30, 2019, these investments are held and managed by a local community foundation.

Foreign Currency Risk: The Foundation does not have exposure for foreign exchange risk since none of its deposits or investments are held in foreign currencies.

Custodial Credit Risk: The Foundation's investments are not exposed to custodial credit risk as defined by Statement No. 40. Securities are held by its agent in the name of the College Foundation. All of the bank balances were insured by the FDIC at year-end.

NOTE 3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2019 consisted of billings for student fees, contracts, and intergovernmental receivables arising from grants. All receivables are not considered collectible in full and an allowance for doubtful accounts was established as reflected in the financial statements.

The following is a summary of the accounts receivable as of June 30, 2019:

Student receivables	$ 2,804,202
Other	1,737,188
Allowance for doubtful accounts	(470,000)
Total	$ 4,071,390

NOTE 4 – CAPITAL ASSETS

The following is a summary of capital asset activity of the College for the year ended June 30, 2019:

	Balance, June 30 2018	Additions	Retirements	Transfers	Balance, June 30 2019
Nondepreciable capital assets:					
Construction in progress	$ 523,495	825,942	-	-	1,349,437
Total nondepreciable capital assets	523,495	825,942	-	-	1,349,437
Depreciable capital assets:					
Land improvements	566,071	2,850	-	-	568,921
Buildings and improvements	5,679,359	-	-	-	5,679,359
Machinery and equipment	2,013,624	417,328	-	-	2,430,952
Computer equipment	2,274,195	14,449	-	-	2,288,644
Vehicles	480,462	-	-	-	480,462
Total depreciable capital assets	11,013,711	434,627	-	-	11,448,338
Less: accumulated depreciation					
Land improvements	223,010	34,704	-	-	257,714
Buildings and improvements	980,336	141,983	-	-	1,122,319
Machinery and equipment	1,640,490	154,948	-	-	1,795,438
Computer equipment	2,163,394	68,158	-	-	2,231,552
Vehicles	67,848	48,824	-	-	116,672
Total accumulated depreciation	5,075,078	448,617	-	-	5,523,695
Total depreciable capital assets, net	5,938,633	(13,990)	-	-	5,924,643
Capital assets, net	$ 6,462,128	811,952	-	-	7,274,080

NOTE 5 – ACCOUNTS PAYABLE – OSU COST SHARING

The College and the Marion Branch of the Ohio State University (OSU) share various common buildings and facilities. An agreement is renewed annually whereby the College is billed by OSU for various operating expenses. At June 30, 2019, the college had payables of $3,529,516 due to OSU for this agreement.

NOTE 6 – COMPENSATED ABSENCES

Sick pay is accrued for all employees who meet or are projected to meet the retirement requirements of length of service and age within the next five years, in accordance with GASB 16, Accounting for Compensated Absences. Vacation pay was accrued for all eligible employees.

NOTE 6 – COMPENSATED ABSENCES (Continued)

At June 30, 2019, compensated absences consisted of the following:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Amount Due Within One Year
Compensated absences	$ 686,616	$ -	$ 49,330	$ 637,286	$ 347,261

NOTE 7 – STATE SUPPORT

The College is a State-assisted institution of higher education which receives a student-based subsidy determined annually using a formula devised by the Ohio Department of Higher Education (ODHE).

In addition to the student subsidies, the State of Ohio provides the funding for construction and renovation of major plant facilities on the College campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and renovation of the facility by the ODHE. Upon completion of a construction project, the ODHE turns over control to the College, which capitalizes the cost.

Neither the obligation for the revenue bonds issued by the OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. These are currently being funded through appropriations to the ODHE by the Ohio General Assembly.

The facilities are not pledged as collateral for the revenue bonds. Instead the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a requirement exists to assess a special student fee uniformly applicable in state-assisted institutions of higher education throughout the state.

NOTE 8 – DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement were as follows:

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

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the College is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the 14% employer contribution rate was allocated to the Health Care Fund.

The College's contractually required contribution to SERS was $380,896 for fiscal year 2019. 100 percent has been contributed for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14% of their annual covered salary. The College was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was $692,994 for fiscal year 2019. 100 percent has been contributed for fiscal year 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources for Pensions

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

	SERS	STRS	Total
Proportionate Share of Net Pension Liability	$ 5,009,480	$ 9,812,472	$ 14,821,952
Proportion of Net Pension Liability	0.087468457%	0.044626980%	
Change in Proportion	0.004657071%	-0.000831901%	
Pension Expense	$ 210,646	$ 736,971	$ 947,617
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 274,738	$ 226,503	$ 501,241
Change in assumptions	113,125	1,738,956	1,852,081
Change in the College's proportionate share and difference in employer contributions	144,855	88,784	233,639
College contributions subsequent to the measurement date	380,896	692,994	1,073,890
	$ 913,614	$ 2,747,237	$ 3,660,851
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ (64,080)	$ (64,080)
Net difference between projected and actual earnings on pension plan investments	(138,798)	(595,018)	(733,816)
Change in the College's proportionate share and difference in employer contributions	(219,588)	(428,927)	(648,515)
	$ (358,386)	$ (1,088,025)	$ (1,446,411)

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

$1,073,890 reported as deferred outflows of resources at June 30, 2019 related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in future years as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ 297,683	$ 654,901	$ 952,584
2021	83,615	418,622	502,237
2022	(164,398)	53,742	(110,656)
2023	(42,568)	(161,047)	(203,615)
	$ 174,332	$ 966,218	$ 1,140,550

Actuarial Assumptions – SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	2.50% on and after April 1, 2018, COLA's for future retirees will be delayed for three years following retirement
Investment Rate of Return	7.50% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%), or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net pension liability	$ 7,056,231	$ 5,009,480	$ 3,293,417

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – STRS

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

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

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

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

Discount Rate – The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net pension liability	$ 14,329,822	$ 9,812,472	$ 5,989,146

Alternative Retirement Programs

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

Eligible employees (those who are full-time and salaried) have 120 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in STRS and who elect to participate in the alternate retirement plan must contribute their share of retirement contributions (10 percent STRS) to one of eight private providers approved by the State Department of Insurance. For employees who elect an ARP, employers are required to remit employer contributions to STRS Ohio at a rate of 4.50 percent. The employer contribution is the lower of a rate determined by an independent actuarial study or the portion of the STRS Ohio DC Plan employer contribution rate that is allocated to the defined benefit unfunded liability. The College plan provides these employees with immediate plan vesting.

The ARP is a defined contribution plan under IRS Section 401(a). The College's total employer contributions to the ARP for the year ended June 30, 2019, were $99,923.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Net OPEB Liability (Asset)

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

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

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

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

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

The proportionate share of each plan's unfunded or fully funded benefits is presented as a long-term *net OPEB liability* or *net OPEB asset* on the accrual basis of accounting. Any liability for contractually-required contributions outstanding at the end of the year is reported in *accrued payroll*.

Plan Description – School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, the minimum compensation amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the College's surcharge obligation was $13,678.

The surcharge, added to the 0.5% allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College's contractually required contribution to SERS was $27,785 for fiscal year 2019.

Plan Description – State Teachers Retirement System

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

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

OPEB (Assets) Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources for OPEB

The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset/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.

The following is information related to the College’s proportionate share, OPEB expense, and deferred inflows and outflows for fiscal year 2019:

	SERS	STRS	Total
Proportionate Share of Net OPEB Liability (Asset)	$ 2,396,679	$ (717,111)	$ 1,679,568
Proportion of Net OPEB Liability (Asset)	0.086389545%	0.044626980%	
Change in Proportion	0.005218420%	-0.000831901%	
OPEB Expense (Negative)	$ 63,206	$ (1,556,221)	$ (1,493,015)
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 39,120	$ 83,760	$ 122,880
Change in the College's proportionate share and difference in employer contributions	125,909	20,571	146,480
College contributions subsequent to the measurement date	27,785	-	27,785
	$ 192,814	$ 104,331	$ 297,145
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ (41,784)	$ (41,784)
Net difference between projected and actual earnings on OPEB plan investments	(3,597)	(81,923)	(85,520)
Change in assumptions	(215,323)	(977,118)	(1,192,441)
Change in the College's proportionate share and difference in employer contributions	(82,385)	(29,645)	(112,030)
	$ (301,305)	$ (1,130,470)	$ (1,431,775)

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

$27,785 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ (111,170)	$ (182,920)	$ (294,090)
2021	(80,804)	(182,920)	(263,724)
2022	15,354	(182,920)	(167,566)
2023	16,885	(164,315)	(147,430)
2024	16,636	(157,787)	(141,151)
2025	6,823	(155,277)	(148,454)
	$ (136,276)	$ (1,026,139)	$ (1,162,415)

Actuarial Assumptions – SERS

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

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

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

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized in the following table:

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

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62% as of June 30, 2018 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend Rates – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability for fiscal year 2019, calculated using the discount rate of 3.70%, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70%) and one percentage point higher (4.70%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
College's proportionate share of the net OPEB liability	$ 2,908,182	$ 2,396,679	$ 1,991,665

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

	1% Decrease (6.25% decreasing to 3.75%)	Current Trend Rate (7.25% decreasing (to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
College's proportionate share of the net OPEB liability	$ 1,933,681	$ 2,396,679	$ 3,009,773

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Actuarial Assumptions – STRS

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

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

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

Actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 4.13% to 7.45% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

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

STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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

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

Discount Rate – The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net OPEB (asset)	$ (614,630)	$ (717,111)	$ (803,239)

	1% Decrease In Trend Rates	Current Trend Rate	1% Increase In Trend Rates
College's proportionate share of the net OPEB (asset)	$ (798,377)	$ (717,111)	$ (634,577)

NOTE 10 – RISK MANAGEMENT

Comprehensive

The College is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the College contracted with a Commercial Insurer for property and fleet insurance, liability insurance, and various other coverages. More information can be found in the insurance policy. Major coverage provided by this insurer is as follows at June 30, 2019:

Description	Coverage	Deductible
General Liability	$5,000,000	$1,000
Employee Dishonesty Blanket	250,000	2,500
Employment Practices	5,000,000	2,500
Automobile Liability	3,000,000	N/A
Educators Professional Liability	5,000,000	N/A
School Board Trustee Liability	Included above	N/A
Building and Contents	26,409,374	1,000
Extra Expense	2,000,000	N/A
Business Income	13,611,976	1,000

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

Employee Group Medical/Surgical, Dental, and Vision Insurance

Medical/surgical, dental, and vision insurance is offered to employees through a self-insurance program. The District is a member of the JHP Health Benefits Program, a claims servicing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the College's behalf. The claims liability of $139,986 reported in Claims Payable at June 30, 2019 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30, "Risk Financing Omnibus," which requires that a liability for unpaid claim costs, including estimates of costs related to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

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

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2019	$ 167,124	$ 1,254,397	$ (1,281,535)	$ 139,986
2018	138,254	1,450,244	(1,421,374)	167,124

NOTE 11 – CONTINGENCIES

The College receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. It is the opinion of management that any potential disallowance of claims would not have a significant effect on the financial statements.

Legal counsel is currently representing the College in a legal proceeding arising principally in the normal course of operations of a community college. In the opinion of College officials and its legal counsel, the outcome of the legal proceeding is not likely to have a material adverse effect on the accompanying financial statements and accordingly, no additional provision for these losses has been recorded.

NOTE 12 – COMPONENT UNIT – MARION TECHNICAL COLLEGE FOUNDATION

Marion Technical College Foundation (“Foundation”) is a legally separate, tax-exempt component unit of Marion Technical College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The assets of the Foundation have been given by donors/grantors independent from the College and are governed by a Board of Directors. The Board of Directors of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements.

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

During the year ended June 30, 2019, the Foundation distributed $88,272 to the College for scholarships.

The Foundation has transferred assets to the Marion Community Foundation and retained a beneficial interest in those assets. The Foundation is allocated their funds' proportionate share of the pooled funds' investment returns on an annual basis. Distributions from the fund balances may be withdrawn each year in accordance with the terms of each scholarship fund agreement, and undistributed earnings are retained in the fund. As of June 30, 2019, the fair value of the Foundation’s interest in community foundation’s assets was $970,763.

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

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

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

The fair value of beneficial interest in assets held by the community foundation is based upon the Foundation’s proportionate share of the community foundation's pooled investment portfolio. The Foundation’s management and finance committee review the valuations and returns in comparison to industry benchmarks and other information provided by the community foundation. Accordingly, assets held by the Marion Community Foundation are measured and reported as Level 3 assets.

REQUIRED SUPPLEMENTARY INFORMATION

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

	College's Proportion of the Net Pension Liability	College's Proportionate Share of the Net Pension Liability	College's Covered Payroll	College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.105538%	$ 6,276,006	$ 3,484,566	180.11%	65.52%
2015	0.105538%	5,341,218	3,097,691	172.43%	71.70%
2016	0.093832%	5,354,139	3,253,202	164.58%	69.16%
2017	0.087249%	6,385,820	2,897,236	220.41%	62.98%
2018	0.082811%	4,947,797	2,773,564	178.39%	69.50%
2019	0.087468%	5,009,480	2,817,919	177.77%	71.36%

(1) Information prior to 2014 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

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

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

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

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

	College's Proportion of the Net Pension Liability	College's Proportionate Share of the Net Pension Liability	College's Covered Payroll	College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.048211%	$ 13,698,757	$ 5,467,300	250.56%	69.30%
2015	0.048211%	11,726,691	5,304,792	221.06%	74.70%
2016	0.047188%	13,041,319	5,008,843	260.37%	72.10%
2017	0.044920%	15,036,206	4,676,307	321.54%	66.80%
2018	0.045459%	10,798,856	4,926,007	219.22%	75.30%
2019	0.044627%	9,812,472	4,974,221	197.27%	77.30%

(1) Information prior to 2014 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

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

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

Marion Technical College
Required Supplementary Information
Schedule of College Pension Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2010	$ 454,026	$ (454,026)	$ -	$ 3,353,220	13.54%
2011	496,821	(496,821)	-	3,952,434	12.57%
2012	460,185	(460,185)	-	3,421,450	13.45%
2013	482,264	(482,264)	-	3,484,566	13.84%
2014	429,340	(429,340)	-	3,097,691	13.86%
2015	428,772	(428,772)	-	3,253,202	13.18%
2016	405,613	(405,613)	-	2,897,236	14.00%
2017	388,299	(388,299)	-	2,773,564	14.00%
2018	380,419	(380,419)	-	2,817,919	13.50%
2019	380,896	(380,896)	-	2,821,452	13.50%

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

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2010	$ 662,908	$ (662,908)	$ -	$ 5,099,292	13.00%
2011	706,660	(706,660)	-	5,435,846	13.00%
2012	712,444	(712,444)	-	5,480,338	13.00%
2013	710,749	(710,749)	-	5,467,300	13.00%
2014	689,623	(689,623)	-	5,304,792	13.00%
2015	701,238	(701,238)	-	5,008,843	14.00%
2016	654,683	(654,683)	-	4,676,307	14.00%
2017	689,641	(689,641)	-	4,926,007	14.00%
2018	696,391	(696,391)	-	4,974,221	14.00%
2019	692,994	(692,994)	-	4,949,957	14.00%

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

	College's Proportion of the Net OPEB Liability	College's Proportionate Share of the Net OPEB Liability	College's Covered Payroll	College's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.087346%	$ 2,489,682	$ 2,897,236	85.93%	11.49%
2018	0.081171%	2,178,419	2,773,564	78.54%	12.46%
2019	0.086390%	2,396,679	2,817,919	85.05%	13.57%

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

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

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction in the rate of inflation from 3.25% to 3.00%, a reduction in the payroll growth assumption from 4.00% to 3.50%, a reduction in assumed real wage growth from 0.75% to 0.50%, an update in rates of withdrawal, retirement and disability, and transitioning to the following mortality tables: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set back for both active male and female members; RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB (120% of male rates, and 110% of female rates) for service retired members and beneficiaries; and RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement among disabled members.

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

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

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

	College's Proportion of the Net OPEB Liability (Asset)	College's Proportionate Share of the Net OPEB Liability (Asset)	College's Covered Payroll	College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2017	0.044920%	$ 2,402,354	$ 4,676,307	51.37%	37.30%
2018	0.045459%	1,773,638	4,926,007	36.01%	47.11%
2019	0.044627%	(717,111)	4,974,221	(14.42%)	176.00%

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

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

Notes to Schedule:

Change in assumption. For measurement year 2017, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* , and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

Change in benefit terms. For measurement year 2017, the subsidy multiplier for non-Medicare benefit recipient was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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

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

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	$ 39,599	$ (39,599)	$ -	$ 2,897,236	1.37%
2017	30,996	(30,996)	-	2,773,564	1.12%
2018	50,337	(50,337)	-	2,817,919	1.79%
2019	27,785	(27,785)	-	2,821,452	0.98%

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

(2) Includes Surcharge

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

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	$ -	$ -	$ -	$ 4,676,307	0.00%
2017	-	-	-	4,926,007	0.00%
2018	-	-	-	4,974,221	0.00%
2019	-	-	-	4,949,957	0.00%

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

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

SUPPLEMENTAL INFORMATION

Marion Technical College
Board of Trustees
Year Ended June 30, 2019

Name	Title
Dr. Ryan McCall	President
Jim Nargang	Interim Chief Financial Officer
James Lavery	Controller
Dr. Richard Prystowsky	Vice President and Chief Academic Officer
Dr. Amy Adams	Vice President Planning and Advancement
Dr. Robert Haas	Vice President and Chief Strategy Officer

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CLARK SCHAEFER HACKETT
CPAs & Advisors

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

Board of Trustees
Marion Technical College
Marion, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Marion Technical College (the "College"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 30, 2019.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, as item 2019-001, that we consider to be a material weakness.

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

College's Response to Findings
The College's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 30, 2019

CLARK SCHAEFER HACKETT
CPAs & Advisors

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

Board of Trustees
Marion Technical College
Marion, Ohio

Report on Compliance for Each Major Federal Program
We have audited Marion Technical College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2019. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

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

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

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

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

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

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 30, 2019

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant or Pass Through Number	Expenditures
U.S. Department of Education			
Direct:			
Title IV Program			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grant	84.007	P007A	$ 43,934
Federal Work-Study Program	84.033	P033A	24,149
Federal Pell Grant Program	84.063	P063P	2,608,365
Federal Direct Student Loans	84.268	P268K	1,424,959
Total Student Financial Aid Cluster			4,101,407
Passed through the State of Ohio Department of Education:			
Adult Education—Basic Grants to States	84.002	VETP	72,306
Career and Technical Education - Basic Grants to States	84.048	20C3	80,097
Tech-Prep Education	84.243	3ETC	87,352
Total U.S. Department of Education			4,341,162
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 4,341,162

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

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Marion Technical 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 Marion Technical College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Marion Technical College.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the College's financial statements. Expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. In addition, the College did not pass-through any federal awards to subreceipients during the year ended June 30, 2019.

The College has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

NOTE 3 – FEDERAL WORK-STUDY AND FEDERAL SEOG WAIVER

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

NOTE 4 – LOAN PROGRAMS

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

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major program:

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

Dollar threshold to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Material Weakness 2019-001: Financial Reporting

Management is responsible for designing and implementing internal controls over financial reporting which provides reasonable assurance of the integrity of the financial reporting process, the safeguarding of assets and compliance with applicable laws, regulations and contracts.

The adjustments discovered during the audit and which were posted to the financial statements include:

- Recording of capital assets and capital appropriations during the year to properly reflect amounts paid by the state on behalf of the College.
- Reallocation of expense related to pension and other postemployment benefits among various financial statement operating expense categories.
- Recording of scholarship allowance to student tuition and fees revenue and student aid expense.

Other insignificant adjustments were proposed as a result of the audit but were not posted, including Note 6 to the financial statements in which the College reported the net change in the compensated absences liability rather than the balances that were earned and used during the fiscal year.

The College should review the procedures and controls in place to prepare its annual financial statements to ensure the internal control environment is sufficient to identify potential misstatements and omissions during the preparation of the annual financial statements.

Management Response: The College concurs with the adjustments proposed. Please refer to the College's corrective action plan presented on page 57.

Section III – Federal Awards Findings and Questioned Costs

None noted

Marion Technical College

Marion Technical College
Summary Schedule of Prior Audit Findings
June 30, 2019

Material Weakness 2018-001: Financial Statement Preparation

Management is responsible for designing and implementing internal controls over financial reporting which provides reasonable assurance of the integrity of the financial reporting process, the safeguarding of assets and compliance with applicable laws, regulations and contracts.

During the audit, significant reclassification adjustments, numerous corrections, and additions to various footnotes were required to the financial statements filed by the College. Additionally, the College omitted required supplementary information related to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, A*ccounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

The College should review the procedures and controls in place to prepare its annual financial statements to ensure the internal control environment is sufficient to identify potential misstatements and omissions during the preparation of the annual financial statements.

Repeat Comment: The FY 2019 financial statements required significant adjustments and numerous corrections.

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Marion Technical College

Marion Technical College
College's Corrective Action Plan
June 30, 2019

Material Weakness 2019-001: Financial Reporting

Contact Person: Jim Lavery, Controller

Corrective Actions:

1. The financial statements filed with the Auditor of State Hinkle System required significant reclassification adjustments and numerous corrections.

   Corrective Action:

   The College will reconcile significant accounts regularly and conduct a thorough review of account activity in preparation of the financial statements.

Completion Date: Annually, in conjunction with the preparation of the financial statements.

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OHIO AUDITOR OF STATE
KEITH FABER

MARION TECHNICAL COLLEGE

MARION 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 14, 2020

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