TERRA STATE COMMUNITY COLLEGE
SANDUSKY COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2020

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the Terra State Community College, Sandusky County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

January 23, 2021

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TERRA STATE COMMUNITY COLLEGE
SANDUSKY COUNTY
FOR THE YEAR ENDED JUNE 30, 2020

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Terra State Community College
Sandusky County
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
United States Department of Education			
Direct from the Federal Agency			
Student Financial Assistance Cluster:			
Federal Pell Grant Program	N/A	84.063	$ 2,820,060
Federal Supplemental Educational Opportunity Grants	N/A	84.007	51,935
Federal Work Study Program	N/A	84.033	50,353
Federal Direct Student Loans	N/A	84.268	4,530,511
Total Student Financial Assistance Cluster			7,452,859
COVID 19 Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	N/A	84.425E	200,900
COVID 19 Higher Education Emergency Relief Fund (HEERF) Institutional Portion	N/A	84.425F	167,461
Total Education Stabilization Fund			368,361
Passed through the Office of Postsecondary Education			
Career and Technical Education - Basic Grants to States	VEC PII-P2019-509	84.048	72,988
Passed through the Office of Postsecondary Education			
Higher Education Institutional Aid	P031A150006	84.031	418,581
Total United States Department of Education			8,312,789
United States Small Business Administration			
Passed through the Ohio Department of Development			
Small Business Development Centers	56080	59.037	101,865
Total United States Small Business Administration			101,865
United States Department of Treasury			
Passed through the Ohio Board of Regents			
COVID-19 Coronavirus Relief Fund	19-20CRF	21.019	158,339
Total United States Department of Treasury			158,339
Total Federal Expenditures			$ 8,572,993

See accompanying notes to the Schedule of Expenditures of Federal Awards

Terra State Community College

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the College's financial statements. The College did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 2 – Federal Direct Student Loan Program

The College is a direct lender for the Federal Direct Student Loan program. The following represents direct loans originated and disbursed during fiscal year 2020:

CFDA Number	Program Name	Amount
84.268	Federal Subsidized Loans	$ 1,942,989
84.268	Federal Unsubsidized Loans	2,485,285
84.268	Federal PLUS Loans	102,237
	Total Federal Direct Student Loans	$ 4,530,511

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

Board of Trustees
Terra State Community College, Sandusky County, 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 the discretely presented component unit of the Terra State Community College (the College), a component unit of the State of Ohio, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 15, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

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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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 15, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

Board of Trustees
Terra State Community College, Sandusky County, Ohio

Report on Compliance for Each Major Federal Program

We have audited the Terra State Community College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2020. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 its major federal programs for the year ended June 30, 2020.

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 of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the discretely presented component unit of the College, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 15, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures to the audited financial statements subsequent to October 15, 2020. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
January 22, 2021

TERRA STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant Deficiency(s) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant Deficiency(s) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

84.007, 84.033, 84.063, & 84.268 Student Financial Assistance Cluster

84.425 Education Stabilization Fund

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

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

TERRA STATE COMMUNITY COLLEGE
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2020

Summary of Prior Audit Findings:

None Noted

Terra State Community College

TERRA
COMMUNITY COLLEGE

Basic Financial Statements

June 30, 2020 and 2019

PLATTENBURG
Certified Public Accountants

TERRA STATE COMMUNITY COLLEGE

SANDUSKY COUNTY, OHIO

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Terra State Community College, Sandusky County, 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 the Terra State Community College (the College), a component unit of the State of Ohio, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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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 pension information and other postemployment benefit information 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 15, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Terra State Community College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2020 with selected comparative information for the years ending June 30, 2019 and 2018. Responsibility for the completeness and fairness of this information rests with the College and should be read in conjunction with the accompanying financial statements and notes.

Using the Annual Report

The following activities are included in the financial statements:

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

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

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

Financial Highlights

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

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

Condensed Financial Information

Statement of Net Position
(in thousands)

	2020	2019	2018
Assets			
Current assets	$ 5,922	$ 4,270	$ 4,125
Capital assets, net	29,549	29,371	29,601
Other noncurrent assets	954	848	649
Total assets	36,425	34,489	34,375
Deferred outflows of resources	2,781	3,472	4,309
Total assets & defer outflows	$ 39,206	$ 37,961	$ 38,684
Liabilities			
Current liabilities	3,178	1,417	1,413
Noncurrent liabilities	21,709	22,994	26,290
Total liabilities	24,887	24,411	27,703
Deferred inflows of resources	4,464	5,003	4,774
Total liabilities & defer inflows	29,351	29,414	32,477
Net position			
Net investment in capital assets	24,380	23,889	24,016
Restricted			
Expendable	338	162	96
Unrestricted	(14,863)	(15,504)	(17,905)
Total net position	$ 9,855	$ 8,547	$ 6,207

Assets: As of June 30, 2020, the College's total assets and deferred outflows of resources amounted to approximately $39 million. Capital assets, net of depreciation, represented the College's largest asset, totaling $29.5 million or 75 percent of total assets and deferred outflows of resources. Account and Loan Receivables, totaling $5.1 million or 12.9 percent of total assets and deferred outflows of resources, were the College's next largest asset. Cash and investments decreased by approximately $376 thousand in 2020.

As of June 30, 2019, the College's total assets and deferred outflows of resources amounted to approximately $38 million. Capital assets, net of depreciation, represented the College's largest asset, totaling $29.4 million or 77 percent of total assets and deferred outflows of resources. Account and Loan Receivables, totaling $3.0 million or 7.9 percent of total assets and deferred outflows of resources, were the College's next largest asset. Cash and investments decreased by approximately $411 thousand in 2019.

Liabilities: At June 30, 2020 the College's liabilities and deferred inflows of resources totaled approximately $29 million. Net pension liabilities represented approximately $16.4 million, or 56 percent, of total liabilities and deferred inflows of resources. Total liabilities and deferred inflows of resources decreased $63 thousand during the year ended June 30, 2020. This was primarily a result of lower net pension liabilities.

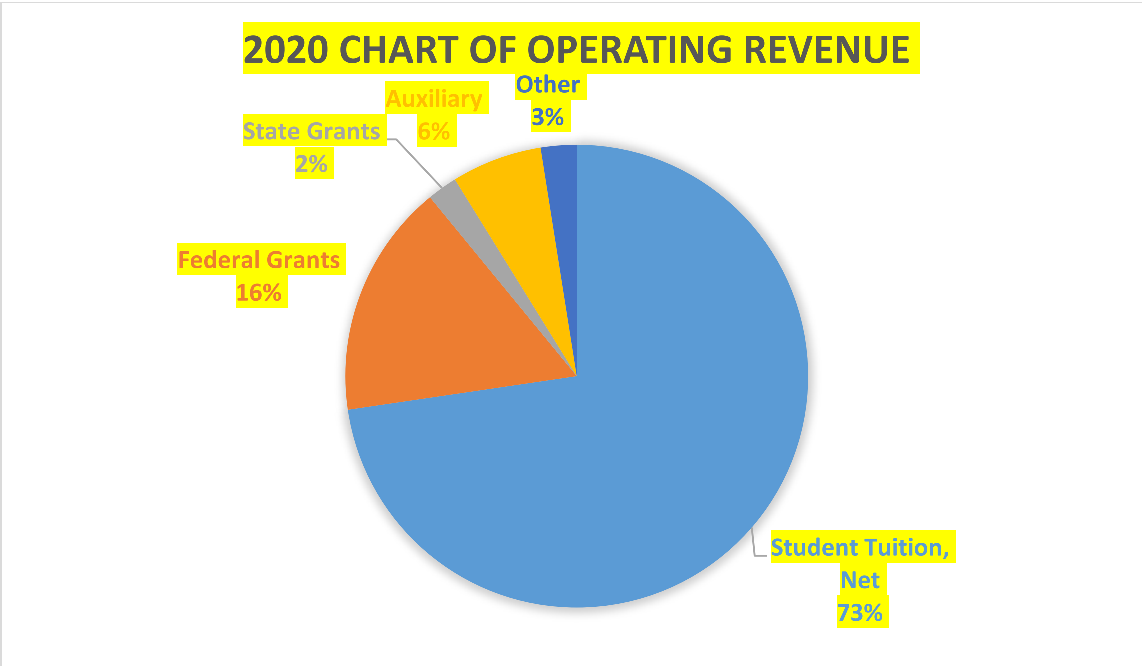
At June 30, 2019 the College's liabilities and deferred inflows of resources totaled approximately $29 million. Net pension liabilities represented approximately $17.6 million, or 60 percent, of total liabilities and deferred inflows of resources. Total liabilities and deferred inflows of resources decreased $3.1 million during the year ended June 30, 2019. This was primarily a result of lower net pension liabilities.

Net Position: Net position at June 30, 2020 totaled approximately $9.9 million or 25 percent of total assets and deferred outflows of resources. Net investment in capital assets totaled $24.4 million or 247 percent, of total net position. Restricted and unrestricted net position represented 3 percent and (151) percent of total net position, respectively. Total net position increased by $1.3 million during the year ended June 30, 2020.

Net position at June 30, 2019 totaled approximately $8.5 million or 23 percent of total assets and deferred outflows of resources. Net investment in capital assets totaled $24.0 million or 280 percent, of total net position. Restricted and unrestricted net position represented 2 percent and (181) percent of total net position, respectively. Total net position increased by $2.3 million during the year ended June 30, 2019.

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

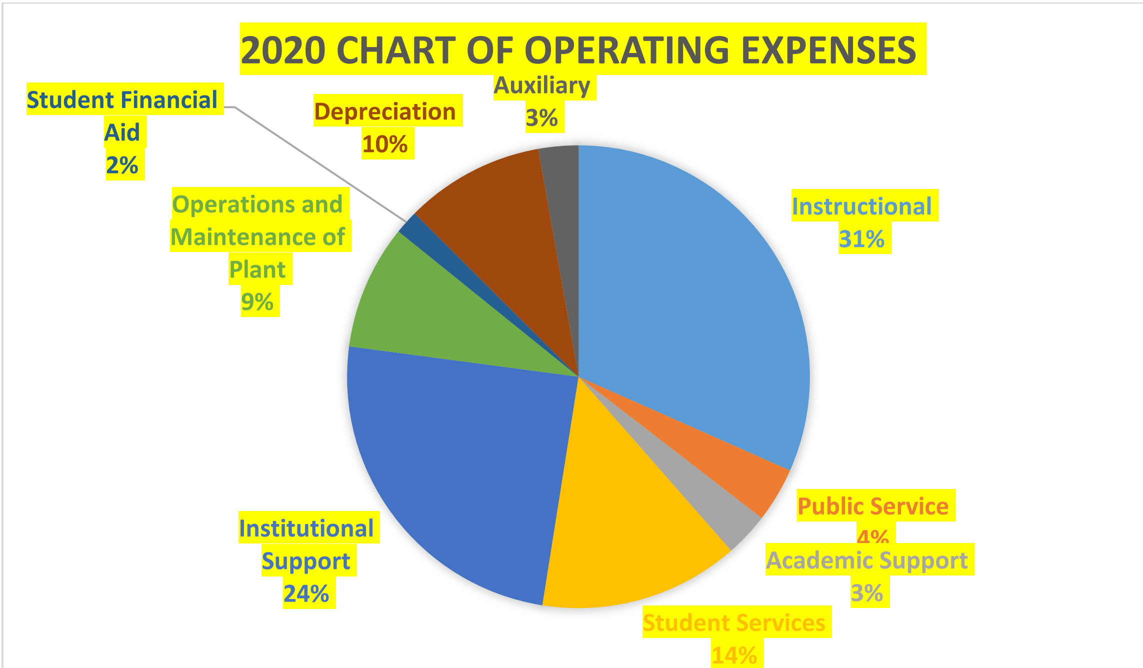
	2020	2019	2018
Operating revenue			
Tuition and fees	$ 4,048	$ 4,462	$ 3,787
Government grants	1,030	894	708
Auxiliary services	352	458	483
Other operating revenue	139	416	237
Total operating revenue	5,569	6,230	5,215
Operating expenses			
Educational and general	13,025	11,940	7,714
Auxiliary expenses	414	463	539
Depreciation	1,451	1,563	1,305
Total operating expenses	14,890	13,966	9,558
Operating loss	(9,321)	(7,736)	(4,343)
Non-operating revenue (expenses)			
State appropriations	5,967	6,225	6,429
Federal grants	3,200	2,701	2,730
Gifts and grants	89	163	221
Investment income	16	23	(4)
Other non-operating	(1,076)	(900)	(727)
Total non-operating revenue	8,196	8,212	8,650
Capital appropriations	2,433	1,864	1,058
Change in net position during year	$ 1,308	$ 2,340	$ 5,365
Beginning Net Position	8,547	6,207	842
Ending Net Position	$ 9,855	$ 8,547	$ 6,207



Total operating revenues were $5.6 million for the year ended June 30, 2020, $6.2 million for 2019. The most significant sources of operating revenue for the College are net student tuition and fees (72.7 percent for 2020 and 71.6 percent for 2019), auxiliary enterprise revenue (6.3 percent for 2020 and 7.3 percent for 2019), and federal grants and contracts (16.3 percent for 2020 and 11.5 percent for 2019).

Tuition and fees continued to be the largest source of operating revenues for the College. Gross tuition revenue decreased 2.7% for 2020 and increased 9.8% for 2019 primarily from fluctuations in enrollment and the reclassification of Scholarships from expenses to tuition discounts. The College's full time equivalent (FTE) students for fiscal year 2020 were 1,297 while in fiscal year 2019 the total was 1,249 and for fiscal year 2018 the total was 1,218. Over the past five years, the annual FTE average has been approximately 1,288. Auxiliary enterprises revenue from the College bookstore decreased 21.8% from 2019 corresponding with the agreement commission guarantee decrease. In 2020 state grant revenue decreased to approximately 2.1% of operating revenues.

State appropriations, which is considered non-operating revenue as defined by GASB 35, is a significant recurring source of revenue essential to the operation of the College. The College's state appropriation for the year ended June 30, 2020, amounted to $6.0 million. This represents a decrease of $258 thousand or 4.1% from the College's appropriation for the prior year. In 2019, the appropriation decreased $204 thousand or 3.2% from the College's appropriation for the prior year.



Operating expenses, including $1.5 million of depreciation, totaled approximately $15.0 million as compared to $14.0 million in 2019 and $9.6 million in 2018. The majority of the College's operating funds prior to GASB 68 and 75 adjustments are expended directly for the primary mission of the College – instruction (31 percent), institutional support (24 percent) and student services (14 percent). This combined 69 percent compares with 63 percent in 2019 and 56 percent in 2018.

Total operating expenses increased 6.6% from 2019 with instructional expenses increasing $1.4 million due to a change in assumptions for the GASB 68 and GASB 75. Other operating expenses increased accordingly for 2020 as GASB adjustments were prorated. Student financial aid decreased by $126 thousand due to the reclassification of the Workforce Demand and Athletic Scholarships to Tuition Discount.

For the year ended June 30, 2020, student financial aid related to tuition and fees totaled $3.2 million, including scholarship allowance of $2.9 million and student aid expense of $249 thousand. In 2020 student financial aid increased by 18.5% in total from the prior year. For the year ended 2019 student financial aid was $2.7 million as compared to $2.7 million in 2018.

Statement of Cash Flows
(in thousands)

	2020	2019	2018
Net cash provided (used) by:			
Operating activities	$ (9,324)	$ (8,758)	$ (9,294)
Noncapital financing activities	9,256	9,089	9,381
Capital and related financing activities	(323)	(765)	(387)
Investing activities	2	350	885
Net increase/(decrease) in cash	(389)	(84)	585
Cash-beginning of year	725	809	224
Cash-end of year	$ 336	$ 725	$ 809

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

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

Major sources of funds included in operating activities are student tuition and fees ($5.7 million) and Auxiliary charges ($352 thousand). The largest cash payments for operating activities were to employees, for wages and benefits, ($8.7 million) and to suppliers ($5.6 million).

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

Capital Assets

Capital assets, net of accumulated depreciation, totaled approximately $29.5 million at June 30, 2020, a net decrease of $178 thousand over the prior year-end. Additions to capital assets during the year totaled $1.6 million as a result of upgrades to parking lots and computer labs. Bleachers, floor, scoreboards and equipment made up the balance of additions. For more information on capital assets, see Note 4.

Long-Term Debt

Long-term debt totaled approximately $5.2 million at June 30, 2020, a decrease of $96 thousand over the prior year-end. For more information on long-term debt, see Note 7.

Factors impacting future periods

The economic position of Terra State Community College is closely tied to that of the State. State Share of Instruction funding for fiscal year 2021 is projected at $6.1 million which is approximately 3% lower than the funding received in fiscal year 2020.

Hourly tuition rates will increase $5 per credit hour for the goal-oriented tuition program effective spring 2015 which increased tuition for lower credit hours and developed a flat rate between 12 and 18 semester hours. Known expense increases for fiscal year 2021 include a 2.25% salary increase for union staff and a 2.75% salary increase for the faculty union. Non-Union staff will be contingent on fall numbers. Employee health insurance plans will continue with a fully funded consortium plan which was effective on October 1, 2016, with plan premiums increasing 3.85%.

The College experienced a 3.7% increase in full-time equivalent students from 1,249 FTE in 2019 to 1,296 in 2020. Enrollment for summer term is down approximately 15% from last due primarily to COVID while fall is reflecting a decrease of 11.1% from the prior year.

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

TERRA STATE COMMUNITY COLLEGE
SANDUSKY COUNTY, OHIO
STATEMENTS OF NET POSITION
As of June 30, 2020 and 2019

	2020		2019	
	Terra State Community College	Component Unit Terra College Foundation	Terra State Community College	Component Unit Terra College Foundation
ASSETS				
Current assets				
Cash and cash equivalents	$ 335,619	$ 84,378	$ 725,189	$ 124,530
Short-term investments	406,633	0	467,072	0
Intergovernmental receivable	365,609	0	102,539	0
Due from State of Ohio	353,972	0	623,861	0
Loans receivable, net	76,666	0	66,549	0
Other receivables	4,264,646	96,991	2,200,419	70,294
Inventory	8,112	0	10,383	0
Other current assets	110,681	0	74,435	0
Total current assets	5,921,938	181,369	4,270,447	194,824
Noncurrent assets				
Investments	406,193	5,309,073	331,833	6,030,295
Other Assets	0	0	0	0
Net OPEB Asset	547,615	0	515,607	0
Capital assets, gross	60,643,616	0	59,014,370	0
Accumulated depreciation	(31,094,682)	0	(29,643,596)	0
Capital assets, net	29,548,934	0	29,370,774	0
Total noncurrent assets	30,502,742	5,309,073	30,218,214	6,030,295
Total assets	36,424,680	5,490,442	34,488,661	6,225,119
DEFERRED OUTFLOWS OF RESOURCES				
Other postemployment benefits	407,231	0	250,914	0
Pension	2,373,847	0	3,221,288	0
Total deferred outflows of resources	2,781,078	0	3,472,202	0
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	755,555	76,974	672,490	554,761
Unearned revenue	2,259,707	0	557,152	0
Long-term debt, current	145,000	0	138,750	0
Compensated absences, current	17,992	0	48,975	0
Total current liabilities	3,178,254	76,974	1,417,367	554,761
Noncurrent liabilities				
Long-term debt, noncurrent	4,980,000	0	5,126,250	0
Unearned revenue	2,106	0	1,086	0
Compensated absences, noncurrent	280,047	0	311,879	0
Net other postemployment benefits liability	2,676,984	0	3,423,155	0
Net pension liability	13,770,018	0	14,131,782	0
Total noncurrent liabilities	21,709,155	0	22,994,152	0
Total liabilities	24,887,409	76,974	24,411,519	554,761
DEFERRED INFLOWS OF RESOURCES				
Other postemployment benefits	2,160,294	0	1,663,308	0
Pension	2,303,007	0	3,339,203	0
Total deferred inflows of resources	4,463,301	0	5,002,511	0
NET POSITION				
Net investment in capital assets	24,379,887	0	23,888,999	0
Restricted for				
Nonexpendable				
Scholarship and fellowships	0	2,869,306	0	2,829,097
Expendable				
Scholarships and Grants	0	1,568,071	0	1,693,016
Loans	0	127,245	0	132,266
Other	274,195	465,216	98,199	123,603
Capital projects	64,016	168,699	63,840	626,247
Unrestricted	(14,863,050)	214,931	(15,504,205)	266,129
Total net position	$ 9,855,048	$ 5,413,468	$ 8,546,833	$ 5,670,358

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

TERRA STATE COMMUNITY COLLEGE
SANDUSKY COUNTY, OHIO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Years Ended June 30, 2020 and 2019

	2020		2019	
	Terra State Community College	Component Unit Terra College Foundation	Terra State Community College	Component Unit Terra College Foundation
REVENUES				
Operating revenues				
Tuition and fees (net of scholarship allowances of $2,862,440 in 2020 and $2,642,782 in 2019)	$ 4,047,838	$ 0	$ 4,462,427	$ 0
Federal grants and contracts	912,605	0	713,356	287,916
State grants and contracts	117,465	0	180,847	0
Contributions and fund raising	0	504,308	0	415,757
Sales and services	0	0	0	0
Auxiliary enterprises	352,373	0	457,559	0
Other operating revenues	139,312	0	415,916	0
Total operating revenues	5,569,593	504,308	6,230,105	703,673
OPERATING EXPENSES				
Educational and general				
Instructional	4,711,536	143,038	3,283,808	355,115
Public service	568,500	0	972,858	0
Academic support	457,896	0	419,436	0
Student services	2,079,804	0	1,744,710	0
Institutional support	3,662,824	374,509	3,694,129	354,756
Operation and maintenance of plant	1,296,657	0	1,449,825	0
Student financial aid	248,541	92,168	374,797	123,477
Other operating expenses	0	49,807	0	127,081
Depreciation expense	1,451,086	0	1,563,064	0
Auxiliary enterprises	413,951	0	463,495	0
Total operating expenses	14,890,795	659,522	13,966,122	960,429
Operating income (loss)	(9,321,202)	(155,214)	(7,736,017)	(256,756)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	5,966,629	0	6,224,962	0
Federal grants	3,200,155	0	2,700,604	0
Gifts and grants	88,944	0	163,427	0
Investment income/(loss)	15,934	(101,676)	23,079	237,816
Interest on debt	(177,237)	0	(181,062)	0
Other non-operating revenue	1,000	0	0	0
Other non-operating expenses	(899,265)	0	(718,911)	0
Net nonoperating revenues (expenses)	8,196,160	(101,676)	8,212,099	237,816
Income before other revenues, expenses, gains and losses	(1,125,042)	(256,890)	476,082	(18,940)
Capital appropriations	2,433,257	0	1,864,138	0
Increase (decrease) in net position	1,308,215	(256,890)	2,340,220	(18,940)
NET POSITION				
Beginning net position, restated	8,546,833	5,670,358	6,206,613	5,689,298
Ending net position	$ 9,855,048	$ 5,413,468	$ 8,546,833	$ 5,670,358

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

TERRA STATE COMMUNITY COLLEGE
SANDUSKY COUNTY, OHIO
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended June 30, 2020 and 2019

	2020		2019	
	Terra State Community College	Component Unit Terra College Foundation	Terra State Community College	Component Unit Terra College Foundation
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	$ 5,741,295	$ 0	$ 4,539,026	$ 0
Grants and contracts	(1,059,346)	0	116,783	287,916
Other income	139,312	0	415,916	0
Auxiliary enterprise receipts	352,373	0	457,559	0
Payments to suppliers	(5,551,943)	(231,603)	(4,382,220)	(372,454)
Payroll and fringe benefits	(8,697,061)	0	(9,530,353)	0
Scholarships and fellowships	(248,541)	(92,168)	(374,797)	(123,477)
Contributions	0	266,903	0	228,641
Agency	0	(500,000)	0	500,000
Purchase of equipment for Terra State Community College	0	(143,038)	0	(355,115)
Net cash provided (used) by operating activities	(9,323,911)	(699,906)	(8,758,086)	165,511
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from contributions restricted for long-term purposes	0	40,209	0	63,621
State appropriations	5,966,629	0	6,224,962	0
Grants and contracts other than capital	2,390,837	0	2,864,031	0
Net cash provided by noncapital financing activities	8,357,466	40,209	9,088,993	63,621
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Purchases of capital assets	(1,629,248)	0	(2,052,056)	0
State appropriations capital	2,433,257	0	1,864,138	0
Principal paid on capital debt	(140,000)	0	(440,946)	0
Interest paid on capital debt	(89,144)	0	(135,965)	0
Net cash provided (used) by capital financing activities	574,865	0	(764,829)	0
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in short-term investments	60,439	0	9,695	0
Purchase of investments	(234,000)	(1,717,114)	(234,000)	(819,450)
Proceeds from sale and maturities of investments	160,116	2,337,249	555,691	115,000
Income on investments	15,455	(590)	18,258	343,765
Net cash provided (used) by investing activities	2,010	619,545	349,644	(360,685)
NET CHANGE IN CASH	(389,570)	(40,152)	(84,278)	(131,553)
Cash and cash equivalents - beginning of year	725,189	124,530	809,467	256,083
Cash and cash equivalents - end of year	$ 335,619	$ 84,378	$ 725,189	$ 124,530
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	$ (9,321,202)	$ (155,214)	$ (7,736,017)	$ (256,756)
Adjustments to reconcile net operating income (loss) to net cash used by operating activities:				
Depreciation expense	1,451,086	0	1,563,064	0
Change in assets and liabilities:				
Receivables	(2,067,525)	0	(261,939)	240
Inventories	2,271	0	2,430	0
Other assets	(68,254)	(26,695)	(495,751)	385
Deferred outflows of resources	691,124	0	837,238	0
Accounts payable	(5,031)	(477,788)	(54,471)	485,263
Accrued salaries and benefits	(62,809)	0	(25,874)	0
Deferred inflows of resources	(539,210)	0	228,385	0
Net OPEB liability	(746,171)	0	(1,226,783)	0
Net Pension liability	(361,764)	0	(1,665,092)	0
Unearned revenue	1,703,574	0	76,724	0
Contributions restricted for long-term purposes	0	(40,209)	0	(63,621)
Net cash provided (used) by operating activitities	$ (9,323,911)	$ (699,906)	$ (8,758,086)	$ 165,511

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

Note 1 – Summary of Significant Accounting Policies

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

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

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

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

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

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

Restricted net position – nonexpendable. Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2020, the College had no nonexpendable restricted assets.

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

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

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

<u>Investments</u>: The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position. STAR Ohio (the State Treasury Asset Reserve of 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 SEC 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 their 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 an NAV per share that approximates fair value. There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAR Ohio reserves the right to limit the transaction to $100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

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

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

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

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

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

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

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

Deferred Outflows and Deferred Inflow of Resources: Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses) until then. The College recorded a deferred outflow of resources for pensions and other postemployment benefits (OPEB), which are explained in Note 8 and Note 9.

The College also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the College these amounts consist of pension and OPEB, which are explained in Note 8 and Note 9.

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

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

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

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

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

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

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

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

Note 2 – Deposits and Investments

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

Protection of the College's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

Deposits: *Custodial Credit Risk*: Custodial credit risk for deposits is the risk that in the event of bank failure, the College will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2020 and 2019, the carrying amounts of the College's deposits in all funds were $335,619 and $725,189 (which consists of cash and cash equivalents, excluding cash on hand of $950 and $950) and the bank balance was $724,369 and $1,068,282 respectively. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2020 and 2019. Of the bank balances at June 30, 2020 and 2019, $250,000 and $250,000 was covered by federal depository insurance.

The College has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the College and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 50 percent of the deposits being secured or a rate set by the Treasurer of State.

The College’s fair value and distribution of investments as of June 30, 2020 are as follows:

Investment Type	Fair Value/NAV	< 1 Year	1-5 Years	Fair Value Hierarchy
Negotiable Ceritficates of Deposit	$441,692	$414,837	$26,855	Level 2
Money Market	277,148	277,148	0	N/A
Municipal Bonds	53,084	25,333	27,751	Level 1
U.S. Treasury Notes	30,191	30,191	0	Level 1
StarOhio	10,711	10,711	0	Level 2
Total	$812,826	$758,220	$54,606	

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Inputs to the valuation techniques used in fair the measurement for Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are significant unobservable inputs. The above table identifies the College’s recurring fair value measurements as of June 30, 2020. STAR Ohio is reported at its share price (Net Asset value per share).

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

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

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

As of June 30, 2020 the College has the following investments and quality ratings:

		Quality Ratings				
Investment Type	Fair Value	AAA	AAAm	Aaa	AA	N/A
Negotiable Ceritficates of Deposit	$441,692	$0	$0	$0	$0	$441,692
Money Market	277,148	277,148	0	0	0	0
Municipal Bonds	53,084	0	0	0	53,084	0
U.S. Treasury Notes	30,191	0	0	30,191	0	0
StarOhio	10,711	0	10,711	0	0	0
Total	$812,826	$277,148	$10,711	$30,191	$53,084	$441,692

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy places no limit on the amount the College may invest in a single issuer. At June 30, 2020, the College's investments were in Negotiable Certificates of Deposits (54.34%), Money Market accounts (34.10%), Municipal Bonds (6.53%), U.S. Treasury Notes (3.71%) and StarOhio (1.32%).

Note 3 – Accounts Receivable

Receivables at June 30, 2020 and 2019 consisted of accounts (tuition and other fees), notes, interest and intergovernmental grants. All receivables, except for doubtful accounts receivables in collection with the Ohio Attorney General, are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

Note 4 – Capital Assets

Capital assets at June 30, 2020 and 2019 are summarized as follows:

	2020			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not depreciated:				
Land	$534,747	$0	$0	$534,747
Construction in progress	0	1,070,194	(1,070,194)	0
Total capital assets not depreciated	534,747	1,070,194	(1,070,194)	534,747
Capital assets being depreciated:				
Buildings	40,955,380	110,227	0	41,065,607
Improvements	6,923,820	959,967	0	7,883,787
Equipment, furniture and books	10,600,423	559,052	0	11,159,475
Total capital assets depreciated	58,479,623	1,629,246	0	60,108,869
Total capital assets	59,014,370	2,699,440	(1,070,194)	60,643,616
Accumulated depreciation:				
Buildings	(16,983,806)	(719,853)	0	(17,703,659)
Improvements	(3,244,643)	(297,356)	0	(3,541,999)
Equipment, furniture and books	(9,415,147)	(433,877)	0	(9,849,024)
Total accumulated depreciation	(29,643,596)	(1,451,086)	0	(31,094,682)
Capital assets, net	$29,370,774	$1,248,354	($1,070,194)	$29,548,934

	2019			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not depreciated:				
Land	$534,747	$0	$0	$534,747
Construction in progress	549,492	722,681	(1,272,173)	0
Total capital assets not depreciated	1,084,239	722,681	(1,272,173)	534,747
Capital assets being depreciated:				
Buildings	40,955,380	0	0	40,955,380
Improvements	5,651,647	1,272,173	0	6,923,820
Equipment, furniture and books	9,989,958	610,465	0	10,600,423
Total capital assets depreciated	56,596,985	1,882,638	0	58,479,623
Total capital assets	57,681,224	2,605,319	(1,272,173)	59,014,370
Accumulated depreciation:				
Buildings	(16,151,928)	(831,878)	0	(16,983,806)
Improvements	(3,012,303)	(232,340)	0	(3,244,643)
Equipment, furniture and books	(8,916,300)	(498,847)	0	(9,415,147)
Total accumulated depreciation	(28,080,531)	(1,563,065)	0	(29,643,596)
Capital assets, net	$29,600,693	$1,042,254	($1,272,173)	$29,370,774

Note 5 – State Support

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

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

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

In 2020 the College received $2,433,257 in capital project appropriations.

Note 6 – Accrued Liabilities

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

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

Note 7 – Long-Term Liabilities

Long-Term Debt

Long-term debt activities for the years ended June 30, 2020 and 2019 are summarized as follows:

	2020				
	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond Issues	$5,265,000	$0	($140,000)	$5,125,000	$145,000
Total Long-Term Debt	5,265,000	0	(140,000)	5,125,000	145,000

	2019				
	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond Issues	$5,400,000	$0	($135,000)	$5,265,000	$138,750
Loan Payable	305,947	0	(305,947)	0	0
Total Long-Term Debt	5,705,947	0	(440,947)	5,265,000	138,750

Series 2013 Bond Issue - In March 2013, the College issued Series 2013 bonds totaling $6,000,000 with an interest rate of 2.00% - 3.75% and with repayment over a period of 30 years. The proceeds are being used to finance the costs including construction of a new main entrance to the campus, renovation of an existing building for a conference center, renovation of an existing building for a hospitality management program and preliminary costs in connection with construction and renovation of a gymnasium. The acquisition, construction, renovation and equipping of the facilities will cost an estimated $8,000,000 in total, which will be funded by proceeds of the Series 2013 Bonds and approximately $2,000,000 of other available funds to the College. In connection with the general receipts bonds described above, the College has pledged general receipts, net of State Appropriation receipts, to pay this debt. The bonds are payable through their final maturities listed below, solely from these revenues pledged.

Total principal and interest remaining to be paid on these bonds are detailed below.

Year End	Principal	Interest	Total
2021	$145,000	$174,013	$319,013
2022	150,000	169,608	319,608
2023	155,000	165,013	320,013
2024	155,000	160,363	315,363
2025	160,000	155,638	315,638
2026-2030	885,000	701,523	1,586,523
2031-2035	1,045,000	548,023	1,593,023
2036-2040	1,250,000	342,180	1,592,180
2041-2044	1,180,000	90,371	1,270,371
Total	$5,125,000	$2,506,732	$7,631,732

Other Long-Term Obligations

Other long-term obligations at June 30, 2020 and 2019 are summarized as follows:

	2020				
	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated Absences	$360,854	$21,134	($83,949)	$298,039	$17,992
Net Pension Liability	14,131,782	0	(361,764)	13,770,018	0
Net OPEB Liability	3,423,155	0	(746,171)	2,676,984 **(a)**	0
Total Long-Term Debt	$17,915,791	$21,134	($1,191,884)	$16,745,041	$17,992

(a)-OPEB for STRS has a Net OPEB Asset in the amount of $547,615 as of June 30, 2020

	2019				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Compensated Absences	$386,729	$30,043	($55,918)	$360,854	$48,975
Net Pension Liability	15,796,874	0	(1,665,092)	14,131,782	0
Net OPEB Liability	4,649,938	0	(1,226,783)	3,423,155 **(a)**	0
Total	$20,833,541	$30,043	($2,947,793)	$17,915,791	$48,975

(a)-OPEB for STRS has a Net OPEB Asset in the amount of $515,607 as of June 30, 2019

Note 8 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions/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 net pension/OPEB liability (asset) represent the College's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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 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 pensions/OPEB are financed; however, the College does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Age 65 with 5 years of service credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; or 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 years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy
Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent 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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The College's contractually required contribution to SERS was $481,292 for fiscal year 2020 and $498,850 for fiscal year 2019.

<u>Plan Description - State Teachers Retirement System (STRS)</u>

Plan Description
College licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective Aug. 1, 2017 through July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective Aug. 1, 2019–July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent 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 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The College's contractually required contribution to STRS was $622,688 for fiscal year 2020 and $572,333 for fiscal year 2019.

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

The net pension liability was measured as of June 30, 2019, 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 contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$6,458,162	$7,311,856	$13,770,018
Proportion of the Net Pension Liability:			
Current Measurement Date	0.10793870%	0.03306378%	
Prior Measurement Date	0.12356060%	0.03208712%	
Change in Proportionate Share	-0.01562190%	0.00097666%	
Pension Expense	$362,426	$191,448	$553,874

At June 30 2020, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$163,765	$59,531	$223,296
Changes of assumptions	0	858,918	858,918
Changes in employer proportionate share of net pension liability	38,314	148,925	187,239
Contributions subsequent to the measurement date	481,292	622,688	1,103,980
Total Deferred Outflows of Resources	$683,371	$1,690,062	$2,373,433
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$31,652	$31,652
Net difference between projected and actual earnings on pension plan investments	82,899	357,364	440,263
Changes in employer proportionate share of net pension liability	832,876	998,216	1,831,092
Total Deferred Inflows of Resources	$915,775	$1,387,232	$2,303,007

$1,103,980 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	($444,855)	($69,430)	($514,285)
2022	(310,337)	(161,601)	(471,938)
2023	(5,516)	(169,397)	(174,913)
2024	47,012	80,570	127,582
Total	($713,696)	($319,858)	($1,033,554)

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 take into account the employee's entire career with the employer and also 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, 2019, are presented below:

Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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

Discount Rate

The total pension liability was calculated using the discount rate of 7.50 percent. 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 (7.50 percent). 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 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 7.50 percent, 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	$9,050,193	$6,458,162	$4,284,419

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, are presented below:

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0%

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

Actuarial assumptions used in the July 1, 2019, valuation are based on the results of an actuarial 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 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%	

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.
**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 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	$10,685,463	$7,311,856	$4,455,925

Note 9 - Defined Benefit OPEB Plans

See Note 8 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description
The College contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy
State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation 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 2020, this amount was $19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the College's surcharge obligation was $41,418 and $45,448 for fiscal year 2019.

The surcharge, added to any allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The College's contractually required contribution to SERS was $41,418 for fiscal year 2020 and $63,924 for fiscal year 2019.

<u>Plan Description - State Teachers Retirement System (STRS)</u>

Plan Description
The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy
Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients 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 percent of covered payroll. For fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liabilities (Assets), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability (asset) was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	$2,676,984	$0	$2,676,984
Proportionate Share of the Net OPEB (Asset)	0	(547,615)	(547,615)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.10644960%	0.03306378%	
Prior Measurement Date	0.12338940%	0.03208712%	
Change in Proportionate Share	-0.01693980%	0.00097666%	
OPEB Expense	($187,000)	($209,093)	($396,093)

At June 30 2020, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$39,296	$49,646	$88,942
Changes of assumptions	195,523	11,510	207,033
Net difference between projected and actual earnings on OPEB plan investments	6,426	0	6,426
Changes in employer proportionate share of net OPEB liability	57,785	5,627	63,412
Contributions subsequent to the measurement date	41,418	0	41,418
Total Deferred Outflows of Resources	$340,448	$66,783	$407,231
Deferred Inflows of Resources			
Differences between expected and actual experience	$588,115	$27,861	$615,976
Changes of assumptions	150,010	600,397	750,407
Net difference between projected and actual earnings on OPEB plan investments	0	34,394	34,394
Changes in employer proportionate share of net OPEB liability	567,984	191,533	759,517
Total Deferred Inflows of Resources	$1,306,109	$854,185	$2,160,294

$41,418 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	($359,328)	($172,155)	($531,483)
2022	(143,940)	(172,155)	(316,095)
2023	(142,054)	(158,370)	(300,424)
2024	(142,361)	(153,535)	(295,896)
2025	(147,586)	(133,698)	(281,284)
Thereafter	(71,810)	2,511	(69,299)
Total	($1,007,079)	($787,402)	($1,794,481)

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Inflation	3.00%
Future Salary Increases, including inflation	3.50% to 18.20%
Investment Rate of Return	7.50% net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13%
Prior Measurement Date	3.62%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.22%
Prior Measurement Date	3.70%
Medical Trend Assumption:	
Medicare	5.25% to 4.75%
Pre-Medicare	7.00% to 4.75%

Mortality rates among active members were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years. The most recent experience study was completed for the five year period ended June 30, 2015.

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 percent, 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 asset 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 as follows:

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

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the 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 3.13 percent, as of June 30, 2019 (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 Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
Proportionate share of the net OPEB liability	$3,249,350	$2,676,984	$2,221,885

	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Proportionate share of the net OPEB liability	$2,144,806	$2,676,984	$3,383,054

Assumption and Benefit Changes since the Prior Measurement Date

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

(1) Discount Rate:

Prior Measurement Date	3.70%
Measurement Date	3.22%

(2) Municipal Bond Index Rate:

Prior Measurement Date	3.62%
Measurement Date	3.13%

(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	3.70%
Measurement Date	3.22%

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Discount Rate of Return	7.45%
Health Care Cost Trends:	
Medical	
Pre-Medicare	5.87% initial, 4% ultimate
Medicare	4.93% initial, 4% ultimate
Prescription Drug	
Pre-Medicare	7.73% initial, 4% ultimate
Medicare	9.62% initial, 4% ultimate

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

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

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial 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 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%	

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.
**10 Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate
The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019 and June 30, 2018. The projection of cash flows used to determine the discount rate assumed STRS 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 to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019 and June 30, 2018.

Sensitivity of the Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate
The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	($467,281)	($547,615)	($615,158)

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	($620,971)	($547,615)	($457,773)

Assumption and Benefit Changes since the Prior Measurement Date

There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

There were changes in assumptions, which increased the total OPEB liability by approximately $0.04 billion. The assumption changes included changes in healthcare costs and trends.

Note 10 - Operating Expenses by Natural Classification

The College's operating expenses by natural classification were as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Salaries and wages	$7,405,249	$7,496,213
Employee benefits	1,503,012	182,014
Utilities	474,902	559,270
Supplies and other services	3,808,005	3,790,764
Depreciation	1,451,086	1,563,064
Student Scolarships and finiancial aid	248,541	374,797
Total	$14,890,795	$13,966,122

Note 11 - Risk Management

The College is exposed to various risks of loss related to torts, theft of, damage to, and destructions of assets, errors and omissions, injuries to employees and natural disaster. The College maintains comprehensive coverage with private carriers for liability, real property, building contents, cyber, and vehicles. Vehicle policies include liability coverage for bodily and property damage. Scheduled vehicles hold a $500 comprehensive and $500 collision deductible. Automobile liability coverage has a $1,000,000 limit for bodily injury.

The college also maintains educators' legal liability coverage with private carriers. Settled claims have not exceeded any aforementioned commercial coverage in any of the past four years.

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

The College is a member of Stark County School Council of Governments, a shared risk pool which has was established to provide a partially self-funded health benefits program to its members. The College pays a monthly premium to Council of Governments for its health care coverage.

Note 12 – Contingencies

Grants

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

Litigation

At June 30, 2020, there were lawsuits or claims pending against Terra Community College. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of the College.

Note 13 – Component Unit Disclosures

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

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

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

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

Investment Type	2020 Fair Value	2019 Fair Value
Money Market Funds	$203,814	$879,410
Debt securities	1,526,694	1,454,829
Equity securities	3,578,565	3,696,056
Total	$5,309,073	$6,030,295

During the years ended June 30, 2020 and 2019, the Foundation made contributions of $285,014 and $605,675 respectively to or on behalf of the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Terra College Foundation, 2830 Napoleon Road, Fremont, Ohio 43420.

Reclassifications – Certain prior year amounts have been reclassified to conform to the current year presentation.

Prior Period Adjustment - The Foundation's beginning net position has been restated at July 1, 2019 by $500,000. The balance of $6,170,358 as previously reported was decreased to $5,670,358 to reflect a liability for an incomplete contribution that was previously reported in contributions revenue in 2019.

Note 14 – Implementation of New Accounting Principles

In response to the Covid-19 pandemic GASB issued Statement No. 95 which temporarily postponed the effective dates for several pronouncements. The College in light of the relief being provided by GASB has chosen to delay the implementation of new pronouncements until 2021. No new pronouncements were implemented for June 30, 2020 year end.

Note 15 – COVID-19

On March 10, 2020, the World Health Organization recognized the outbreak of COVID-19 disease as a pandemic. Governments worldwide continue to take actions to prevent the spread of the outbreak, including event cancellations and quarantines that have created widespread adverse impacts to the global economy as well as business interruptions. The full impact of COVID-19 and the scope of any continued impact on College finances and operations cannot be fully determined at this time. Adverse consequences of the COVID-19 pandemic may include but are not limited to decline in enrollment; additional decreases in financial support from the State; and reduction in funding support from donors or other external sources.

Terra State Community College

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio

Last Ten Fiscal Years*

	2020	2019
Proportion of the Net Pension Liability	0.10793870%	0.12356060%
Proportionate Share of the Net Pension Liability	$6,458,162	$7,076,544
College's Covered-Employee Payroll	$3,695,185	$4,142,622
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	174.77%	170.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%

* Information prior to 2014 is not available.

Note - Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.12019670%	0.14636350%	0.13938230%	0.15135900%	0.15135900%
$7,181,487	$10,712,458	$7,953,289	$7,660,193	$9,000,834
$4,017,871	$4,545,507	$4,196,143	$4,398,207	$4,545,921
178.74%	235.67%	189.54%	174.17%	198.00%
69.50%	62.98%	69.16%	71.70%	65.50%

Terra State Community College
Required Supplementary Information
Schedule of College Pension Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2020	2019	2018
Contractually Required Contributions	$481,292	$498,850	$559,254
Contributions in Relation to the Contractually Required Contribution	(481,292)	(498,850)	(559,254)
Contribution Deficiency (Excess)	$0	$0	$0
Covered Employee Payroll	$3,565,126	$3,695,185	$4,142,622
Contributions as a Percentage of Covered-Employee Payroll	13.50%	13.50%	13.50%

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013	2012	2011
$562,502	$636,371	$553,052	$609,592	$629,155	$630,396	$617,897
(562,502)	(636,371)	(553,052)	(609,592)	(629,155)	(630,396)	(617,897)
$0	$0	$0	$0	$0	$0	$0
$4,017,871	$4,545,507	$4,196,143	$4,398,207	$4,545,921	$4,686,957	$4,915,650
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

Terra State Community College
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Ten Fiscal Years*

	2020	2019
Proportion of the Net Pension Liability	0.03306378%	0.03208712%
Proportionate Share of the Net Pension Liability	$7,311,856	$7,055,237
College's Covered-Employee Payroll	$4,088,093	$3,608,079
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	178.86%	195.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%

* Information prior to 2014 is not available.
Note - Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.03626735%	0.03847270%	0.04327486%	0.04923745%	0.04923745%
$8,615,387	$12,877,972	$11,959,906	$11,976,252	$14,266,033
$3,987,150	$4,035,264	$4,515,007	$5,030,707	$5,124,764
216.08%	319.14%	264.89%	238.06%	278.37%
75.30%	66.80%	72.10%	74.70%	69.30%

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

	2020	2019	2018
Contractually Required Contributions	$622,688	$572,333	$505,131
Contributions in Relation to the Contractually Required Contribution	(622,688)	(572,333)	(505,131)
Contribution Deficiency (Excess)	$0	$0	$0
Covered Employee Payroll	$4,447,771	$4,088,093	$3,608,079
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013	2012	2011
$558,201	$564,937	$632,101	$653,992	$666,219	$684,512	$648,458
(558,201)	(564,937)	(632,101)	(653,992)	(666,219)	(684,512)	(648,458)
$0	$0	$0	$0	$0	$0	$0
$3,987,150	$4,035,264	$4,515,007	$5,030,707	$5,124,764	$5,265,479	$4,988,136
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

Terra State Community College
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Ten Fiscal Years*

	2020	2019
Proportion of the Net OPEB Liability	0.10644960%	0.12338940%
Proportionate Share of the Net OPEB Liability	$2,676,984	$3,423,155
College's Covered-Employee Payroll	$3,695,185	$4,142,622
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Employee Payroll	72.45%	82.63%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%

* Information prior to 2017 is not available.
Note - Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2018	2017
0.12053790%	0.14496562%
$3,234,921	$4,132,056
$4,017,871	$4,545,507
80.51%	90.90%
12.46%	11.49%

Terra State Community College
Required Supplementary Information
Schedule of College OPEB Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years*

	2020	2019	2018
Contractually Required Contributions (1)	$41,418	$63,924	$78,656
Contributions in Relation to the Contractually Required Contribution	(41,418)	(63,924)	(78,656)
Contribution Deficiency (Excess)	$0	$0	$0
Covered Employee Payroll	$3,565,126	$3,695,185	$4,142,622
Contributions as a Percentage of Covered-Employee Payroll	1.16%	1.73%	1.90%

* Information prior to 2016 is not available.
(1) Includes Surcharge

See accompanying notes to the required supplementary information

2017	2016
$60,750	$58,944
(60,750)	(58,944)
$0	$0
$4,017,871	$4,545,507
1.51%	1.30%

Terra State Community College
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
Last Ten Fiscal Years*

	2020	2019
Proportion of the Net OPEB Liability or Asset	0.03306378%	0.03208712%
Proportionate Share of the Net OPEB Liability (Asset)	($547,615)	($515,607)
College's Covered-Employee Payroll	$4,088,093	$3,608,079
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	(13.40%)	(14.29%)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	174.74%	176.00%

* Information prior to 2017 is not available.
Note - Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2018	2017
0.03626735%	0.03847270%
$1,415,017	$1,939,587
$3,987,150	$4,035,264
35.49%	48.07%
47.10%	37.30%

Terra State Community College
Required Supplementary Information
Schedule of College OPEB Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years*

	2020	2019	2018	2017
Contractually Required Contributions	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
Covered Employee Payroll	$4,447,771	$4,088,093	$3,608,079	$3,987,150
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%

* Information prior to 2016 is not available.

See accompanying notes to the required supplementary information

2016
$0
0
$0
$4,035,264
0.00%

Note 1 - Net Pension Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:
2020: There were no changes in benefit terms from the amounts reported for this fiscal year.

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changed in the Consumer Price Index Index (CPI-W), with a cap of 2.5% and a floor of 0%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:
2018-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

(1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
(2) Payroll growth assumption was reduced from 4.00% to 3.50%,
(3) Assumed real wage growth was reduced from 0.75% to 0.50%,
(4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
(5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
(6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
(7) Mortality among disabled members was updated to 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, and
(8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:
2019-2020: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:
2019-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

(1) The long term expected rate of return was reduced from 7.75% to 7.45%,
(2) The inflation assumption was lowered from 2.75% to 2.50%,
(3) The payroll growth assumption was lowered to 3.00%,
(4) 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,
(5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
(6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Note 2 - Net OPEB (Asset)/Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:
2017-2020: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:
2020: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

(1) Discount Rate:
    Prior Measurement Date 3.70%
    Measurement Date 3.22%
(2) Municipal Bond Index Rate:
    Prior Measurement Date 3.62%
    Measurement Date 3.13%
(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
    Prior Measurement Date 3.70%
    Measurement Date 3.22%

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

(4) Discount Rate:
    Prior Measurement Date 3.63%
    Measurement Date 3.70%
(5) Municipal Bond Index Rate:
    Prior Measurement Date 3.56%
    Measurement Date 3.62%
(6) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
    Prior Measurement Date 3.63%
    Measurement Date 3.70%

2018: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

(1) Discount Rate:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%

(2) Municipal Bond Index Rate:

Fiscal Year 2018	3.56%
Fiscal Year 2017	2.92%

(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

(1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
(2) Payroll growth assumption was reduced from 4.00% to 3.50%,
(3) Assumed real wage growth was reduced from 0.75% to 0.50%,
(4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
(5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
(6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and
(7) Mortality among disabled members was updated to 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.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:
2020: There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% 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. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive $29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to $0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent 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 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:
2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately $0.04 billion. The assumption changes included changes in healthcare costs and trends.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

2018: The discount rate was increased from 3.26 percent to 4.13 percent 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 percent to 7.45 percent. 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.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

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OHIO AUDITOR OF STATE
KEITH FABER

TERRA COMMUNITY COLLEGE

SANDUSKY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 2/4/2021