



**Certified Public Accountants, A.C.**

**ZANE STATE COLLEGE  
MUSKINGUM COUNTY  
Single Audit  
For the Fiscal Year Ended June 30, 2018**

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# Dave Yost • Auditor of State

Board of Trustees  
Zane State College  
1555 Newark Road  
Zanesville, Ohio 43701

We have reviewed the *Independent Auditor's Report* of the Zane State College, Muskingum County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2017 through June 30, 2018. 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 Zane State College is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 18, 2018

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## INDEPENDENT AUDITOR'S REPORT

December 7, 2018

Zane State College  
Muskingum County  
1555 Newark Road  
Zanesville, OH 43701

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of **Zane State College**, Muskingum County, Ohio (the College), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

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***Opinion***

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

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

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

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**Zane State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*(Unaudited)*

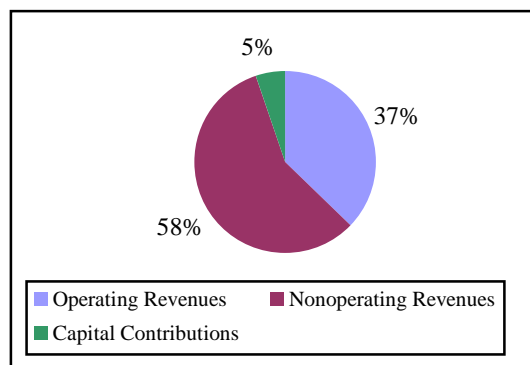
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The discussion and analysis of Zane State College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2018. The financial statements and the related footnote disclosures along with the discussion and analysis have been prepared based on information that is the representation of management. Responsibility for the completeness and fairness of this information rests with management. The discussion and analysis contains financial activities of Zane State College.

**Financial Highlights**

Zane State College's financial position improved during the fiscal year ended June 30, 2018. The combined net position increased \$6,414,094 from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ended June 30, 2018:



**Using This Annual Report**

This report consists of three basic financial statements. The statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows provide information on the College as a whole and present a long-term view of the College's finances. The following activities are included in the College's financial statements:

- **College:** Most of the programs and services generally associated with the College fall into this category, including instruction, research, public service, and support services.
- **Component Unit (Zane State College Foundation):** Most of the College's fund raising and restricted scholarship activity fall into this category.

**The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position**

One of the most important questions asked about the College's finances is, "Is Zane State College as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information on the College as a whole and on its activities in a way that helps to answer this question. 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 the College's operating results.

**Zane State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*(Unaudited)*

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These two statements report the College's net position and changes in them. The College's net position amount – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving. However, several non-financial factors are relevant as well, such as the trend and quality of applicants, freshman class size, student retention, building condition, and campus safety, to assess the overall health of the College.

These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private and public sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**Zane State College**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)

<b>Net Position Changes- College</b>			
	<u>6/30/2018</u>	<u>6/30/2017*</u>	<u>Net Change</u>
<b>ASSETS</b>			
Current Assets:			
Cash, cash equivalents and investments	\$ 3,695,870	\$ 4,051,489	\$ (355,619)
Cash, cash equivalents and investments held in Escrow	172,311	168,915	3,396
Accounts receivable - students, net	1,139,724	1,155,369	(15,645)
Accounts receivable - vendors	325,997	254,711	71,286
Grants receivable	134,495	352,993	(218,498)
Inventory	<u>273,090</u>	<u>267,231</u>	<u>5,859</u>
Total current assets	5,741,487	6,250,708	(509,221)
Noncurrent Assets:			
Capital assets, net of accumulated depreciation	<u>31,859,381</u>	<u>32,604,958</u>	<u>(745,577)</u>
<b>TOTAL ASSETS</b>	<u>37,600,868</u>	<u>38,855,666</u>	<u>(1,254,798)</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions and OPEB	<u>4,727,919</u>	<u>4,914,798</u>	<u>(186,879)</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 42,328,787</u>	<u>\$ 43,770,464</u>	<u>\$ (1,441,677)</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accrued wages and benefits	\$ 896,750	\$ 868,877	\$ 27,873
Vouchers payable	269,204	242,854	26,350
Compensated absences payable - current portion	63,747	68,138	(4,391)
Claims payable	166,664	192,868	(26,204)
Capital lease payable - current portion	105,330	102,477	2,853
Accrued interest payable	27,842	31,112	(3,270)
Unearned tuition and fees revenue	320,509	318,611	1,898
Deposits held in custody for others	335,889	285,806	50,083
Payable to Fiscal Agent	60,092	128,989	(68,897)
General improvement bond payable - current portion	220,000	215,000	5,000
Bond anticipation notes payable	<u>250,000</u>	<u>200,000</u>	<u>50,000</u>
Total current liabilities	2,716,027	2,654,732	61,295
Noncurrent Liabilities:			
Compensated absences payable	543,363	580,791	(37,428)
Bond anticipation notes payable	850,000	1,100,000	(250,000)
Capital lease payable	-	105,330	(105,330)
Net pension liability	16,866,486	25,614,304	(8,747,818)
Net OPEB liability	4,299,778	5,846,640	(1,546,862)
General improvement bonds payable	<u>5,315,000</u>	<u>5,535,000</u>	<u>(220,000)</u>
Total noncurrent liabilities	<u>27,874,627</u>	<u>38,782,065</u>	<u>(10,907,438)</u>
<b>TOTAL LIABILITIES</b>	<u>30,590,654</u>	<u>41,436,797</u>	<u>(10,846,143)</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions and OPEB	<u>4,753,610</u>	<u>1,763,238</u>	<u>2,990,372</u>
<b>NET POSITION</b>			
Net investment in capital assets	25,119,051	25,347,151	(228,100)
Restricted:			
Expendable:			
Instructional department uses	452,743	593,010	(140,267)
Capital projects	2,178,787	1,487,394	691,393
Unrestricted	<u>(20,766,058)</u>	<u>(26,857,126)</u>	<u>6,091,068</u>
Total net position	<u>6,984,523</u>	<u>570,429</u>	<u>6,414,094</u>
<b>TOTAL LIABILITIES, NET POSITION, AND DEFERRED INFLOWS</b>	<u>\$ 42,328,787</u>	<u>\$ 43,770,464</u>	<u>\$ (1,441,677)</u>

\*As restated, see Note 16 for additional information.

**Zane State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*(Unaudited)*

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

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

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

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

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

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

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

In accordance with GASB 68 and GASB 75, the College's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows. As a result of implementing GASB 75, the College is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$6,413,601 to \$570,429.

**Zane State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*(Unaudited)*

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Total net position of the College as a whole increased \$6,414,094. The decrease to current and other assets is primarily due to decreases cash and cash equivalents and grants receivable, which were partially offset by an increase in vendor accounts receivable. Capital assets, net decreased due to current year depreciation expense, which was partially offset by current year additions. Deferred outflows of resources decreased due to pension and OPEB activity.

Long-term liabilities decreased primarily due to net pension and net OPEB liabilities and principal payments on debt obligations.

Deferred inflows of resources increased due primarily to pension activity.

**Net Position Changes - Component Unit- Zane State College Foundation**

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Net Change</u>
<b>ASSETS</b>			
Current Assets:			
Cash equivalents	\$ 10,806	\$ 2,410	\$ 8,396
Investments - Money Market	<u>323,252</u>	<u>1,510,674</u>	<u>(1,187,422)</u>
Total current assets	334,058	1,513,084	(1,179,026)
Noncurrent Assets:			
Endowment Investments	<u>11,009,879</u>	<u>9,481,743</u>	<u>1,528,136</u>
Total noncurrent assets	<u>11,009,879</u>	<u>9,481,743</u>	<u>1,528,136</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 11,343,937</u></u>	<u><u>\$ 10,994,827</u></u>	<u><u>\$ 349,110</u></u>
<b>NET POSITION</b>			
Restricted:			
Nonexpendable:			
Scholarships	\$ 1,879,693	\$ 1,950,929	\$ (71,236)
Professorships	5,250,000	5,250,000	0
Expendable:			
Scholarships	3,317,993	2,932,030	385,963
Capital Projects	205,983	329,929	(123,946)
Unrestricted	<u>690,268</u>	<u>531,939</u>	<u>158,329</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 11,343,937</u></u>	<u><u>\$ 10,994,827</u></u>	<u><u>\$ 349,110</u></u>

The increase to Endowment Investments and decrease to Investments - Money Market is due primarily to the change in the Foundation investment portfolio as of June 30, 2018. Expendable Scholarships increased due to increased contributions.

**Zane State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*(Unaudited)*

**Operating Revenues and Expenses for FY2018 versus FY2017**  
**College**

	<u>6/30/2018</u>	<u>6/30/2017*</u>	<u>Net Change</u>
Operating Revenues			
Tuition and fees (net of scholarship allowance)	\$ 4,821,404	\$ 5,641,522	\$ (820,118)
State grants and contracts	200,956	161,237	39,719
Federal grants and contracts	480,648	633,735	(153,087)
Private gifts, grants and contributions	497,336	429,227	68,109
Auxiliary services	1,407,089	1,692,573	(285,484)
Other	137,965	49,971	87,994
Total operating revenues	<u>7,545,398</u>	<u>8,608,265</u>	<u>(1,062,867)</u>
Operating Expenses (Includes depreciation expense)	<u>13,716,030</u>	<u>22,533,693</u>	<u>(8,817,663)</u>
Operating Loss	(6,170,632)	(13,925,428)	7,754,796
Nonoperating Revenues (Expenses)			
State appropriations	8,895,285	8,941,817	(46,532)
Federal grants	2,808,990	3,072,487	(263,497)
Investment income	8,000	5,066	2,934
Other nonoperating expenses	(189,388)	(207,840)	18,452
Net nonoperating revenues (expenses)	<u>11,522,887</u>	<u>11,811,530</u>	<u>(288,643)</u>
Income Before Other Revenues, Expenses, Gains, or Losses	5,352,255	(2,113,898)	7,466,153
Capital Contributions	<u>1,061,839</u>	<u>470,160</u>	<u>591,679</u>
Total Other Revenues	<u>1,061,839</u>	<u>470,160</u>	<u>591,679</u>
Increase (Decrease) in net position	6,414,094	(1,643,738)	8,057,832
Net Position, beginning of year, as restated	<u>570,429</u>	<u>8,057,339</u>	<u>(7,486,910)</u>
Net Position, end of year	<u>\$ 6,984,523</u>	<u>\$ 6,413,601</u>	<u>\$ 570,922</u>

\* Information for the implementation of GASB 75 with regards to expenses was not available and therefore amounts were not restated. See Note 16 for additional information.

Tuition and fees decreased due to lower enrollment in 2018 from 2017. Operating expenses decreased due primarily to pension and OPEB activity. Federal grants decreased due to enrollment trends. Capital contributions increased due to monies received for a joint project with the Muskingum Valley Health Center.

**Zane State College**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)

**Changes in Revenues and Expenses for FY2018 versus FY2017**  
**Component Unit- Zane State College Foundation**

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Net Change</u>
Operating Revenues			
In-kind Contribution (ZSC)*	\$ 222,250	\$ 242,909	\$ (20,659)
Contributions	390,845	275,606	115,239
Other	7,000	0	7,000
Total operating revenues	<u>620,095</u>	<u>518,515</u>	<u>101,580</u>
Operating Expenses	<u>244,712</u>	<u>270,188</u>	<u>(25,476)</u>
Operating Income	375,383	248,327	127,056
Nonoperating Revenues (Expenses)			
Investment income	778,355	1,058,519	(280,164)
College support - capital	(241,048)	(18,322)	(222,726)
College support - operating	0	(198,584)	198,584
Scholarships	(676,538)	(204,605)	(471,933)
Net nonoperating revenues (expenses)	<u>(139,231)</u>	<u>637,008</u>	<u>(776,239)</u>
Change in Net Position before			
Capital Contributions	236,152	885,335	(649,183)
Capital Contributions	<u>112,958</u>	<u>194,059</u>	<u>(81,101)</u>
Change in Net Position	349,110	1,079,394	(730,284)
Net Position, beginning of year	<u>10,994,827</u>	<u>9,915,433</u>	<u>1,079,394</u>
Net Position, end of year	<u>\$ 11,343,937</u>	<u>\$ 10,994,827</u>	<u>\$ 349,110</u>

\*See Note 10, page 29.

Decreases to investment income were due to decreases in market value, types, and amounts of investments held at June 30, 2018. Contributions increased over the prior year. Scholarships increased due to additional scholarships awarded during the current fiscal year.

**Zane State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
(Unaudited)

**Operating Expenses for FY2018 versus FY2017**  
**College**

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Net Change</u>
Operating Expenses			
Educational and General			
Instructional	\$ 2,083,498	\$ 8,765,300	\$ (6,681,802)
Academic support	705,156	1,185,555	(480,399)
Student services	4,152,237	4,750,281	(598,044)
Institutional support	2,557,233	3,211,114	(653,881)
Depreciation	1,644,865	1,656,842	(11,977)
Operation and maintenance of plant	1,320,377	1,334,480	(14,103)
Total Educational and General	<u>12,463,366</u>	<u>20,903,572</u>	<u>(8,440,206)</u>
Auxiliary Enterprises			
Bookstore	1,170,528	1,537,544	(367,016)
Security and other auxiliary	82,136	92,577	(10,441)
Total Auxiliary Enterprises	<u>1,252,664</u>	<u>1,630,121</u>	<u>(377,457)</u>
Total Operating Expenses	<u>\$ 13,716,030</u>	<u>\$ 22,533,693</u>	<u>\$ (8,817,663)</u>

Bookstore expenses decreased as a result of instructional materials being purchased through online sources. Educational and General Expenses decreased primarily due to pension and OPEB activity.

**Operating Expenses for FY2018 versus FY2017**  
**Component Unit- Zane State College Foundation**

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Net Change</u>
Operating Expenses			
Educational and General			
General and administrative	\$ 244,712	\$ 270,188	\$ (25,476)
Total Educational and General	<u>244,712</u>	<u>270,188</u>	<u>(25,476)</u>
Total Operating Expenses	<u>\$ 244,712</u>	<u>\$ 270,188</u>	<u>\$ (25,476)</u>

**The Statement of Cash Flows**

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- an entity's ability to generate future net cash flows
- its ability to meet its obligations as they come due
- its need for external financing



**Zane State College**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)

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**Cash Flows**  
**FY 2018 Versus FY 2017**  
**College**

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Net Change</u>
Cash provided (used) by:			
Operating activities	\$ (11,516,914)	\$ (10,821,637)	\$ (695,277)
Noncapital financing activities	11,704,275	12,014,304	(310,029)
Capital and related financing activities	(547,584)	(934,239)	386,655
Investing activities	8,000	5,066	2,934
Net increase (decrease) in cash	<u>(352,223)</u>	<u>263,494</u>	<u>(615,717)</u>
Cash, beginning of year	4,220,404	3,956,910	263,494
Cash, end of year	<u>\$ 3,868,181</u>	<u>\$ 4,220,404</u>	<u>\$ (352,223)</u>

Noncapital financing activities are comprised of state appropriations and certain federal grants which do not meet the definition of operating activities.

**Capital and Debt Administration**

*Capital Assets*

At June 30, 2018, the College had \$31,859,381 invested in capital assets, net of accumulated depreciation of \$23,463,793. Depreciation charges totaled \$1,644,865 for the current fiscal year. Details of these assets for the two years are shown below:

**Capital Assets, Net, at Year-End - College**

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Net Change</u>
Land	\$ 413,225	\$ 413,225	\$ -
Buildings	29,341,430	29,872,433	(531,003)
General infrastructure	345,910	203,946	141,964
Machinery and equipment	1,323,355	1,513,869	(190,514)
Computers	387,685	547,013	(159,328)
Computer Software	7,701	14,698	(6,997)
Motor Vehicles	32,885	35,554	(2,669)
Library books	7,190	4,220	2,970
Total Capital Assets, Net	<u>\$ 31,859,381</u>	<u>\$ 32,604,958</u>	<u>\$ (745,577)</u>

The change in capital assets was attributable to current year additions which were offset by current year depreciation.

More detailed information regarding the College's capital assets is presented in Note 8 to the financial statements.

**Zane State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*(Unaudited)*

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*Debt*

At June 30, 2018, the College had \$6,740,330 in debt outstanding versus \$7,257,807 in the previous year. The table below summarizes these amounts by type of debt instrument.

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Net Change</u>
Lease Obligations	\$ 105,330	\$ 207,807	\$ (102,477)
General Improvement Bonds	5,535,000	5,750,000	(215,000)
Bond Anticipation Note Payable	<u>1,100,000</u>	<u>1,300,000</u>	<u>(200,000)</u>
	<u>\$ 6,740,330</u>	<u>\$ 7,257,807</u>	<u>\$ (517,477)</u>

More detailed information about the College's long-term liabilities is presented in Note 9 to the financial statements.

**Economic Factors that Will Affect the Future**

The bulk of the College's revenues come from the State (SSI) and from tuition & fees (enrollment). The funding formula for distribution of funds to the two year college sector has been modified in recent years. Instead of being purely enrollment driven, it now focuses on completion and student success measures, areas where the College does better than the norm. Other institutions are now progressing in these success measures causing SSI distributions to shift to them. The College adopted a high level goal to increase student completions to 40% which actualized at 47.7%. This rate is the best in the State.

The College is working on offering more online courses which could expand our enrollment base geographically and reach students who cannot attend a traditional classroom setting. Work has also begun on offering other more flexible offerings such as an adult cohort that meets once per week and opportunities for students to choose how they take a course each week – online or in class. Additionally, the College will be promoting our transfer program more aggressively which will appeal to many students as a way to reduce the cost of higher education. Attending a two year institution and then transferring to finish a Bachelor's Degree will become more common place as student loan debt has been escalating.

In Fiscal Year 2019 the Ohio Department of Higher Education will require a floor of \$40 per credit hour in the high schools for College Credit Plus (CCP). The College currently charges \$0 but will take the rate up to the floor in Fiscal Year 2019. CCP students lead to enrollment growth, and eventually more SSI funding, but not necessarily an increase in tuition and fees.

The College also began a new program for high school students. The program, titled Twelfth Grade Redesign, provides the opportunity for high school students who do not qualify for CCP to enter this program based on recommendations from guidance counselors and/or teachers. The students take courses preparing them for college at the high school the first semester of their senior year and then take college level courses at Zane State College their final semester. This program was tested in Fiscal Year 2018 in one high school with a high success rate of students matriculating to College. The College is looking to expand this in other high schools.

**Contacting the College's Financial Management**

This financial report is designed to provide the Ohio Board of Regents, our citizens, taxpayers, investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Terri Baldwin, Vice-President for Business Services-Treasurer, at Zane State College, 1555 Newark Road, Zanesville, Ohio 43701.

**Zane State College**  
*Statement of Net Position*  
As of June 30, 2018

	College	Component Unit
	Zane State College	Zane State College Foundation
<b><u>ASSETS</u></b>		
<i>Current Assets:</i>		
Cash, cash equivalents and investments	\$ 3,695,870	\$ 10,806
Cash, cash equivalents and investments held in Escrow	172,311	-
Investments - Money Market	-	323,252
Accounts receivable - students, net	1,139,724	-
Accounts receivable - vendors	325,997	-
Grants receivable	134,495	-
Inventory	273,090	-
<b>Total current assets</b>	<b>5,741,487</b>	<b>334,058</b>
<i>Noncurrent Assets:</i>		
Capital assets, net	31,859,381	-
Endowment investments	-	11,009,879
<b>Total noncurrent assets</b>	<b>31,859,381</b>	<b>11,009,879</b>
<b>TOTAL ASSETS</b>	<b>37,600,868</b>	<b>11,343,937</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Pensions	4,604,381	-
OPEB	123,538	-
<b>Total deferred outflows of resources</b>	<b>4,727,919</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 42,328,787</b>	<b>\$ 11,343,937</b>
<b><u>LIABILITIES</u></b>		
<i>Current Liabilities:</i>		
Accrued wages and benefits	\$ 896,750	\$ -
Vouchers payable	269,204	-
Claims payable	166,664	-
Capital lease payable	105,330	-
Compensated absences payable	63,747	-
Accrued interest payable	27,842	-
Unearned tuition and fees revenue	320,509	-
Deposits held in custody for others	335,889	-
Payable to Fiscal Agent	60,092	-
General improvement bonds payable	220,000	-
Bond anticipation notes payable	250,000	-
<b>Total current liabilities</b>	<b>2,716,027</b>	<b>-</b>
<i>Noncurrent Liabilities:</i>		
Compensated absences	543,363	-
General improvement bonds payable	5,315,000	-
Bond anticipation notes payable	850,000	-
Net Pension Liability	16,866,486	-
NET OPEB Liability	4,299,778	-
<b>Total noncurrent liabilities</b>	<b>27,874,627</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>30,590,654</b>	<b>-</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Pensions	3,711,731	-
OPEB	1,041,879	-
<b>Total deferred inflows of resources</b>	<b>4,753,610</b>	<b>-</b>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	25,119,051	-
<i>Restricted:</i>		
<i>Nonexpendable:</i>		
Scholarships	-	1,879,693
Professorships	-	5,250,000
<i>Expendable:</i>		
Scholarships	-	3,317,993
Instructional Department uses	452,743	-
Capital projects	2,178,787	205,983
Unrestricted	(20,766,058)	690,268
<b>Total net position</b>	<b>6,984,523</b>	<b>11,343,937</b>
<b>TOTAL LIABILITIES, NET POSITION, AND DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 42,328,787</b>	<b>\$ 11,343,937</b>

See accompanying notes to the financial statements.

**Zane State College**  
*Statement of Revenues, Expenses, and Changes in Net Position*  
*For the Fiscal Year Ended June 30, 2018*

	<u>College</u> Zane State <u>College</u>	<u>Component</u> <u>Unit</u> Zane State College <u>Foundation</u>
<b>REVENUE:</b>		
<i>Operating Revenues:</i>		
Student tuition and fees (net of scholarship allowances of \$1,953,099)	\$ 4,821,404	\$ -
In-kind contributions	-	222,250
Federal grants and contracts	480,648	-
State grants and contracts	200,956	-
Private gifts and grants	497,336	-
Contributions	-	390,845
Auxiliary Enterprises:		
Bookstore	1,335,090	-
Campus security	71,999	-
Other sources	137,965	7,000
<b>Total Operating Revenues</b>	<u>7,545,398</u>	<u>620,095</u>
<b>EXPENSES:</b>		
<i>Operating Expenses:</i>		
Educational and General:		
Instructional	2,083,498	-
Academic support	705,156	-
Student services	4,152,237	-
Institutional support	2,557,233	-
Depreciation	1,644,865	-
General & administrative	-	244,712
Operation and maintenance of plant	1,320,377	-
<b>Total Educational and General</b>	<u>12,463,366</u>	<u>244,712</u>
Auxiliary Enterprises:		
Bookstore	1,170,528	-
Campus security	81,236	-
Other auxiliary	900	-
<b>Total Operating Expenses</b>	<u>13,716,030</u>	<u>244,712</u>
<b>Operating Income (Loss)</b>	(6,170,632)	375,383
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Federal grants	2,808,990	-
State appropriations	8,895,285	-
Investment income	8,000	778,355
Interest on capital asset-related debt	(189,388)	-
Scholarships	-	(676,538)
College support - capital	-	(241,048)
Net nonoperating revenues (expenses)	<u>11,522,887</u>	<u>(139,231)</u>
<b>Income before other revenues, expenses, gains or losses</b>	5,352,255	236,152
Capital contributions	1,061,839	112,958
<b>Total other revenues</b>	<u>1,061,839</u>	<u>112,958</u>
<b>Increase (Decrease) in Net Position</b>	6,414,094	349,110
<b>Net Position, Beginning of Year - As Restated, See Note 16</b>	<u>570,429</u>	<u>10,994,827</u>
<b>Net Position, End of Year</b>	<u>\$ 6,984,523</u>	<u>\$ 11,343,937</u>

See accompanying notes to the financial statements.

**Zane State College**  
*Statement of Cash Flows*  
For the Fiscal Year Ended June 30, 2018

	College Zane State College	Component Unit Zane State College Foundation
<b><u>Cash Flows from Operating Activities:</u></b>		
Tuition and Fees	\$ 4,817,744	\$ -
Grants and Contracts	1,397,438	-
Payments to Suppliers	(5,532,245)	-
Payments to Employees for Wages and Benefits	(13,744,905)	-
Bookstore	1,335,090	-
Campus Security	71,999	-
Contributions	-	390,845
Other Receipts	137,965	7,000
Other Expenses	-	(22,462)
Net Cash Provided (Used) by Operating Activities	<u>(11,516,914)</u>	<u>375,383</u>
<b><u>Cash Flows from Non-Capital and Related Financing Activities:</u></b>		
State Appropriations	8,895,285	-
Federal Grants	2,808,990	-
Scholarships	-	(676,538)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>11,704,275</u>	<u>(676,538)</u>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>		
Purchases of Capital Assets	(899,288)	-
Capital Contributions	1,061,839	112,958
College Support - Capital	-	(241,048)
Principal Paid on Capital Leases, Loans, and Notes	(517,477)	-
Interest Paid	(192,658)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(547,584)</u>	<u>(128,090)</u>
<b><u>Cash Flows from Investing Activities:</u></b>		
Interest on Investments	8,000	778,355
Proceeds from Sales and Maturities of Investments	-	(1,528,136)
Net Cash Provided by Investing Activities	<u>8,000</u>	<u>(749,781)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(352,223)	(1,179,026)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>4,220,404</u>	<u>1,513,084</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 3,868,181</u>	<u>\$ 334,058</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:</u></b>		
Operating Income (Loss)	\$ (6,170,632)	\$ 375,383
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:		
Depreciation	1,644,865	-
Pension and OPEB Expense Adjustments Not Affecting Cash	(7,117,429)	-
<b><u>Change in Assets and Liabilities:</u></b>		
Accounts Receivable, net	(55,641)	-
Grants Receivable	218,498	-
Inventories	(5,859)	-
Claims Payable	(26,204)	-
Vouchers Payable (Operating)	26,350	-
Accrued Wages and Benefits	27,873	-
Compensated Absences	(41,819)	-
Unearned Tuitions and Fees Revenue	1,898	-
Deposits Held in Custody for Others	50,083	-
Payable to Fiscal Agent	(68,897)	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ (11,516,914)</u>	<u>\$ 375,383</u>
<b><u>Non-Cash Transactions:</u></b>		
In-kind Contributions	\$ -	\$ 222,250
In-kind Disbursements	-	(222,250)
Total Non-Cash Transactions	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**Zane State College**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 1 – DESCRIPTION OF THE COLLEGE AND REPORTING ENTITY**

On September 19, 1969, the State of Ohio Department of Higher Education approved the charter of the Muskingum Area Technical Institute. In 1975, the College name was changed to the Muskingum Area Technical College. In 2004, the College name was changed to Zane State College (the College). The College is a technical institute as defined by Section 3357.01 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and the laws of the State of Ohio. The College exposes students to job training leading to employment upon graduation and prepares students for continuation of their education in obtaining a four year degree.

The College's official service area consists of three counties: Muskingum, Guernsey, and Noble. However, a significant number of students also attend from Morgan, Coshocton, Licking and Perry counties.

In 1971, working with the Ohio Department of Higher Education, the Muskingum Area Technical Institute and the Ohio University began a cooperative effort to provide the community with a coordinated state-assisted higher education complex of academic-technical programs and physical facilities. Planning for a new campus was accelerated after the Ohio General Assembly, on June 12, 1972, approved a \$3 million appropriation for the construction of a new technical college facility. In March 1974 a master plan for the Muskingum Area Technical Institute and Ohio University-Zanesville campus was completed. This plan has guided campus development to the present time. An agreement for inter-institutional cooperation and coordination was signed on June 15, 1975, by Ohio University-Zanesville and Muskingum Area Technical Institute.

The College operates under a nine member appointed Board of Trustees, of which three are appointed by the Governor of the State of Ohio, and is responsible for the provision of public education to its student body.

The Zane State College Foundation is not a part of the primary government of the College, but due to its relationship with the College, it is discretely presented as a component unit within the College's financial statements. The Foundation is a non-profit, tax-exempt organization operated exclusively to provide support for the general educational needs of the College. Specific disclosures relating to the component unit can be found in Note 10.

The College is associated with an insurance purchasing pool, the Ohio College Association Workers' Compensation Group Rating Program. This organization is presented in Note 13 to the financial statements.

Management believes the financial statements included in this report represent all of the funds of the College over which the College has the ability to exercise direct operating control.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," as amended by GASB Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities," the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

**Zane State College**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**B. Basis of Accounting**

The financial statements of the College have been prepared 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the College must provide local resources to be used for a specified purpose, and expense requirements, in which the resources are provided to the College on a reimbursement basis.

**C. Cash and Cash Equivalents**

This classification appears on the statement of net position and the statement of cash flows and includes cash on deposit with private bank accounts and savings accounts. For purposes of the statement of cash flows and presentation on the statement of net position, all investments with original maturities of three months or less at the time they are purchased by the College are presented on the financial statements as cash equivalents.

**D. Investments**

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

**E. Receivables**

Receivables consist of tuition and fees and charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the Federal government, state and local governments, private sources in connections with reimbursements of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

**F. Inventories**

Inventories, consisting of expendable supplies and merchandise for resale, are stated at the lower of cost or market value using the first-in, first-out method.

**Zane State College**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**G. Capital Assets**

Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books are significant in the aggregate and are therefore also capitalized. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 40 years for buildings and infrastructure, 5 to 10 years for equipment, 4 to 5 years for computer software, 5 years for vehicles, and 5 years for library books and materials. Improvements are depreciated over the remaining useful lives of the related capital assets.

The College's policy is to capitalize net interest on construction projects until substantial completion of the projects. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2018, no material interest costs were incurred on construction projects for the College.

**H. Noncurrent Long-Term Liabilities**

Noncurrent long-term liabilities include bonds and capital lease obligations and compensated absences that will not be paid within the next fiscal year.

**I. Compensated Absences**

The College follows the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences."

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the College will compensate the employees for the benefits through paid time off or some other means. The College records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the College has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the College's termination policy. The College records a liability for accumulated unused sick leave for certified employees, administrators, and classified employees after five years of current service with the College.



**Zane State College**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**J. Unearned Revenue**

Unearned tuition and fees revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, related to the subsequent accounting period.

**K. 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 accumulated depreciation and outstanding debt obligations related to those capital assets.

**Restricted Net Position – Expendable** – Expendable restricted net position includes resources in which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

**Unrestricted Net Position** – Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

**L. Scholarship Allowances and Student Aid**

Student tuition and fees revenue and certain other revenues from College charges are reported net of scholarship allowances in the accompanying statement of revenues, expenses, and changes in net position. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students. Certain aid such as loans and funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues.

**M. Revenue and Expense Recognition**

The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include 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 include activities that have the characteristics of nonexchange transactions, such as state appropriations, certain federal grants, and investment income. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying statement of revenues, expenses, and changes in net position.

The College's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Zane State College**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**N. Budgetary Process**

Annually, the Business Office develops a balanced budget for the College based on projected expenditures from department directors and anticipated revenue, including tuition and fees and the subsidy from the Ohio Department of Higher Education. The Board of Trustees approves the budget.

**O. Income Taxes**

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

**P. Use of Estimates**

Management of the College has made estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

**Q. Deferred Outflows and Deferred Inflows 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, which are explained in Notes 11 and 12. 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 pensions and other postemployment benefits, which are explained in Notes 11 and 12.

**R. Pensions and PostEmployment Benefits (OPEB)**

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and 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 report investments at fair value.

**S. Self Insurance**

The College is self-insured for certain employee health programs. A liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, is recorded.

**Zane State College**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 3 – STATE SUPPORT**

The College is a state-assisted institution of higher education that receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the Ohio Department of Higher Education.

In addition to the student subsidies, the State of Ohio provides the funding for the construction and renovation of major plant facilities on the College's campus. The funding is obtained from the issuance of special obligation bonds issued by the Ohio Public Facilities Commission (OPFC), which proceeds in turn cause the construction and subsequent lease of the facility to the Ohio Department of Higher Education. Upon completion of a facility, the Board of Regents turns over control to the College, which capitalizes the cost thereof.

Neither the obligation for special obligation 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. These costs are currently being funded through appropriations to the Board of Regents by the General Assembly.

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

Outstanding debt issued by OPFC is not included on the College's statement of net position. In addition, the appropriations by the General Assembly to the Board of Regents for payment of debt service are not reflected as appropriation revenue received by the College, and the related debt service payments are not recorded in the College's accounts.

**NOTE 4 – DEPOSITS**

*Deposits* Custodial credit risk 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 year end, \$2,489,808 of the College's bank balance of \$3,239,808 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the College to a successful claim by the Federal Deposit Insurance Corporation.

The College does not have a deposit policy for custodial credit 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 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Zane State College**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 4 – DEPOSITS (Cont.)**

**Investments** At fiscal year end, the College had the following investments and maturities:

	Carrying/Fair Value	Weighted Average Maturity (Years)
Negotiable Certificates of Deposit	\$ 196,299	<1 Year
Federal Home Loan Mort Corp	491,180	3-5 Years
Total	\$ 687,479	

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. Level 3 inputs are significant unobservable inputs. The above table identifies the College’s recurring fair value measurements as of June 30, 2018. All other investments of the College are valued using quoted market prices (Level 1 inputs).

**Interest rate risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College’s investment policy does not address interest rate risk beyond the requirements of the Ohio Revised Code.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College limits their investments to Negotiable Certificates of Deposit and Federal Home Loan Mortgage Corporation. Investments in Federal Home Loan Mortgage Corporation were rated AA+ by Standard & Poor’s and Aaa by Moody’s. The College’s investments in individual marketable certificates of deposit are fully insured by the Federal Deposit Insurance Corporation. The College’s investment policy does not address credit risk beyond the requirements of the Ohio Revised Code.

**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. 28.6% of the College’s investments are in negotiable certificates of deposit, while 71.4% are in Federal Home Loan Mortgage Corporation. The College investment policy allows for a maximum of 75% of the College’s total investment portfolio to be invested in a single security type unless that security provides the highest rate of return at an acceptable level of safety for preservation of capital. There are no further restrictions on the amounts the College may invest in a single issuer beyond the requirements of the Ohio Revised Code.

**Custodial credit risk** - Custodial credit risk is the risk that in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the College’s securities are either insured and registered in the name of the College or at least registered in the name of the College. The College’s investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code.

**Zane State College**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2018 were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 1,351,029	\$ (211,305)	\$ 1,139,724
Grants	134,495	-	134,495
Vendor	325,997	-	325,997
Total Accounts Receivable	\$ 1,811,521	\$ (211,305)	\$ 1,600,216

**NOTE 6 – DONOR RESTRICTED ENDOWMENTS**

If a donor has not provided specific instructions, state law permits the Board to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board is required to consider the College’s “long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions.” Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. All expenditures must be approved by the Board.

At June 30, 2018, there was no net appreciation on donor-restricted assets available to be spent. There were no donor restricted endowments at June 30, 2018.

**NOTE 7 – CAPITAL LEASES**

The College leases copiers, computers and related equipment under capital leases. Capital leases are capitalized as capital assets, net, with a corresponding liability. Capital assets acquired by lease have been capitalized in the statement of net position in the amount of \$1,652,833, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Principal payments in fiscal year 2018 totaled \$102,477.

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2018:

<u>Year Ending December 31,</u>		
2019		\$108,262
Minimum lease payments		108,262
Less: Amount representing interest at the College’s incremental borrowing rate		(2,932)
Present value of minimum lease payments		\$105,330

**Zane State College**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 8 – CAPITAL ASSETS**

A summary of the changes in the capital assets is presented as follows:

	Balance at 7/1/2017	Increases	Decreases	Balance at 6/30/2018
<b>Capital Assets, Non-Depreciable:</b>				
Land	\$ 413,225	\$ -	\$ -	\$ 413,225
Total Non-Depreciable	413,225	-	-	413,225
<b>Capital Assets, Depreciable:</b>				
Buildings	45,852,122	640,589	-	46,492,711
General Infrastructure	397,958	158,410	-	556,368
Machinery and Equipment	3,817,430	86,606	-	3,904,036
Computers	2,768,716	-	-	2,768,716
Computer Software	446,116	-	-	446,116
Motor Vehicles	159,166	8,350	-	167,516
Library books	569,153	5,333	-	574,486
Total Depreciable	54,010,661	899,288	-	54,909,949
<b>Less Accumulated Depreciation:</b>				
Buildings	(15,979,689)	(1,171,592)	-	(17,151,281)
General Infrastructure	(194,012)	(16,446)	-	(210,458)
Machinery and Equipment	(2,303,561)	(277,120)	-	(2,580,681)
Computers	(2,221,703)	(159,328)	-	(2,381,031)
Computer Software	(431,418)	(6,997)	-	(438,415)
Motor Vehicles	(123,612)	(11,019)	-	(134,631)
Library books	(564,933)	(2,363)	-	(567,296)
Total Depreciation	(21,818,928)	(1,644,865)	-	(23,463,793)
Total Capital Assets, Depreciable, net	32,191,733	(745,577)	-	31,446,156
Capital Assets, net	<u>\$ 32,604,958</u>	<u>\$ (745,577)</u>	<u>\$ -</u>	<u>\$ 31,859,381</u>

**Zane State College**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 9 – LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities is as follows:

	Balance 7/1/2017*	Additions	Reductions	Balance 6/30/2018	Amount Due Within One Year
Compensated Absences	\$ 648,929	\$ 607,110	\$ (648,929)	\$ 607,110	\$ 63,747
General Improvement Bond	5,750,000	-	(215,000)	5,535,000	220,000
Bond Anticipation Note	1,300,000	-	(200,000)	1,100,000	250,000
Lease Obligations	207,807	-	(102,477)	105,330	105,330
Net Pension Liability:					
STRS	16,774,593	-	(6,115,251)	10,659,342	-
SERS	8,839,711	-	(2,632,567)	6,207,144	-
Total Net Pension Liability	<u>25,614,304</u>	<u>-</u>	<u>(8,747,818)</u>	<u>16,866,486</u>	<u>-</u>
Net OPEB Liability:					
STRS	2,680,098	-	(929,374)	1,750,724	-
SERS	3,166,542	-	(617,488)	2,549,054	-
Total Net OPEB Liability	<u>5,846,640</u>	<u>-</u>	<u>(1,546,862)</u>	<u>4,299,778</u>	<u>-</u>
Long-Term Liabilities	<u>\$ 39,367,680</u>	<u>\$ 607,110</u>	<u>\$(11,461,086)</u>	<u>\$ 28,513,704</u>	<u>\$ 639,077</u>

\* As restated for GASB 75, see Note 16 for additional information.

During fiscal year 2015, the College entered into a lease for computer hardware. The lease was issued in the amount of \$541,311 with an interest rate of 5%.

During fiscal year 2013, the College issued general obligation bonds in the amount of \$6,370,000 for the purpose of construction projects. The bond will mature in December 2037 and was issued with an interest rate of 2.8%. Payments are made into a sinking fund held in the name of the College and payments are made from the sinking fund when they come due.

During fiscal year 2016, the College issued long-term bond anticipation notes in the amount of \$1,300,000 with the Zane State College Foundation. The purpose of bond anticipation notes was to pay in full the bond anticipation note that was held by Fifth Third Securities.

Principal and interest requirements to retire bonds and notes outstanding at June 30, 2018, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Principal	Interest
2019	\$220,000	\$145,852	\$250,000	\$29,700
2020	225,000	141,402	250,000	22,950
2021	230,000	136,852	300,000	16,200
2022	235,000	132,202	300,000	8,100
2023	235,000	127,326	-	-
2024-2028	1,275,000	551,967	-	-
2029-2033	1,440,000	377,706	-	-
2034-2038	1,675,000	138,701	-	-
	<u>\$ 5,535,000</u>	<u>\$ 1,752,008</u>	<u>\$1,100,000</u>	<u>\$ 76,950</u>

**Zane State College**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION**

**Description of the Foundation**

The Zane State College Foundation (hereinafter “the Foundation”) is a nonprofit organization as determined by Section 501(c)(3) of the Internal Revenue Code, further, the Foundation is organized under Section 509(a)(1) and 170(b)(1)(a)(iv) of the Internal Revenue Code.

The Foundation is organized and shall be operated exclusively for directorial, scientific or charitable purposes by conducting or supporting activities which benefit, or carry out the purpose of Zane State College, a state institution of higher learning, authorized under Chapter 3357 of the Ohio Revised Code including, but not limited to the creation of an endowment fund for annual scholarships in each technology program, the improvement of technical laboratory equipment, and opportunities for the professional development of College employees.

Solely for the above purpose, the Foundation is empowered to exercise all rights and powers conferred by the laws of the State of Ohio upon nonprofit corporations, including, but not limited to:

- A. To accept, acquire, receive, take, and hold by bequest, devise, grant, gift, purchase, exchange, lease, transfer, judicial order or decree, or otherwise, for any of its objects and purposes, any property, both real and personal, whatever kind, nature or description and wherever situated;
- B. To seal, exchange, convey, mortgage, lease, transfer, or otherwise dispose of any such property, both real and personal, as the objects and purposes of the Foundation may require, subject to such limitations as may be prescribed by law; and
- C. To invest and reinvest its funds in such savings accounts, stocks, bonds, debentures, mortgages, or in such other securities, investments, and property as the Board of Directors shall deem advisable, subject to the limitations and conditions contained in any bequest, devise, grant, or gift, provided such limitations and conditions are not in conflict with those provisions of the Internal Revenue Code and its regulations dealing with organizations exempt from taxation under Section 501(c)(3), as such provisions now exist or as they may hereafter be amended.

**Financial Statement Presentation**

The accompanying financial statements have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

***Summary of Significant Accounting Policies***

**Net Position Classifications**

In the accompanying financial statements, assets with similar characteristics have been combined in the following net position groups:

***Unrestricted Assets*** – These assets are used for continuing activities, scholarships, and operations of the Foundation at the discretion of the Foundation’s governing body.

***Restricted: Expendable*** – Temporarily Restricted Assets – A donor imposed restriction that permits the Foundation to expend the donated assets as specified by the donor. The restriction remains in effect until satisfied by either the passage of time or by actions of the Foundation. The Foundation’s expenditures of temporarily restricted assets are restricted to scholarships and capital projects.



**Zane State College**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION (Cont.)**

**Restricted: Nonexpendable** – Permanently Restricted Assets – A donor imposed restriction that stipulates that resources be maintained permanently but permits the Foundation to expend part or all of the income or other economic benefit derived from the donated asset. The Foundation’s income derived from these resources is restricted to expenditures on scholarships.

**Income Tax Status**

The Foundation has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Cash and Investments**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Foundation will not be able to recover deposits or collateral securities that are in the possession of an outside party.

At June 30, 2018, the carrying amount of the Foundation’s deposits was \$10,806 and the bank balance of the Foundation’s deposits was \$10,806. At June 30, 2018, the entire amount was covered by Federal Deposit Insurance.

The following summarizes the market value of investments at June 30, 2018:

Investment Type	Market Value	Years			
		Less than 1	1-3	3-5	5-10
Common Stock	\$ 4,540,903	\$ 4,540,903	\$ -	\$ -	\$ -
Mutual Funds	1,887,624	1,887,624	-	-	-
Federal Farm Credit Bank Bonds	387,889	-	-	96,907	290,982
Federal Home Loan Mortgage Corporation	293,037	-	293,037	-	-
Federal National Mortgage Association	149,716	149,716	-	-	-
Federal Home Loan Bank Bonds	96,742	-	-	-	96,742
US Treasury Notes/Bonds	1,271,500	298,875	148,313	389,640	434,672
Zane State College	1,100,000	-	-	1,100,000	-
Corporate Bonds	1,282,468	99,822	442,955	540,903	198,788
Money Markets	323,252	323,252	-	-	-
	<u>\$ 11,333,131</u>	<u>\$ 7,300,192</u>	<u>\$ 884,305</u>	<u>\$ 2,127,450</u>	<u>\$ 1,021,184</u>

**Interest Rate Risk-** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation’s investment policy provides for management of the portfolio to minimize principal fluctuations with a long-term investment mix and with an initial target of 65% of its assets to be invested in Equities, 30% in Fixed Income and 5% in Cash Equivalents.

**Credit Risk-** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Foundation’s investment policy limits investments to the following categories: Equities, Fixed Income and Cash Equivalents. The benchmark for the domestic equity portion of the portfolio will be the S&P 500 Equity Index. The fixed income portfolio should have an average credit quality of “A”. Cash equivalents, if not guaranteed by the U.S. Government, should be the equivalent of A-2 by Standard and Poor’s or P-2 by Moody’s. The U.S. Government securities and the corporate bonds had ratings of AA+, AA-, A, A-, AA, BBB+, and BBB by Standard and Poor’s. The money market funds were rated AAAM. The mutual funds, common stocks, and investments in Zane State College were not rated.

**Zane State College**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION (Cont.)**

**Concentration of credit risk-** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in one single issuer.

The Foundation's investment policy calls for initial targets of asset categories along with acceptable ranges in order to balance the risks as follows: an initial target of 65% of its assets to be invested in Equities, 30% in Fixed Income and 5% in Cash Equivalents. It is the intent of the Foundation that as a general practice, the investment should remain in a range of +/- 10% of the target benchmarks.

*Diversification.* The equity portion will be diversified in terms of sector, industry, and company. No single equity position shall represent more than 10% of the equity investment fund. The fixed income portion should be properly diversified in terms of issuer, maturities/duration, and yield curve exposure. The fixed income portfolio may be invested in U.S. Government and agency obligations, marketable corporate bonds, mortgage-backed or asset-backed securities. The fixed income portfolio may include non-investment grade securities, with total exposure not to exceed 10% of the portfolio.

The Foundation's investments categories are diversified in common stocks (multiple equity positions - 40%), mutual funds (multiple equity positions - 17%), corporate bonds (multiple equity positions - 11%), and money markets (multiple equity positions - 3%).

**Custodial credit risk-** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

The Foundation's policy does not address custodial credit risk. All of the Foundation's investments are held in the name of the Foundation.

The Foundation determines the fair market values of its financial instruments based on the fair value hierarchy prescribed by Financial Accounting Standards Board Accounting Standards Codification (ASC) 825-10, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Foundation's own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The Standard describes three levels within its hierarchy that may be used to measure fair value:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Inputs: Significant other observable inputs other than Level 1 quoted prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Inputs: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

**Zane State College**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION (Cont.)**

The fair value of investments held by the Foundation at June 30, 2018 is summarized as follows:

Investment Type	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	\$ 4,540,903	\$ -	\$ -
Mutual Funds	1,887,624	-	-
Federal Farm Credit Bank Bonds	387,889	-	-
Federal Home Loan Mortgage Corporation	293,037	-	-
Federal National Mortgage Association	149,716	-	-
Federal Home Loan Bank Bonds	96,742	-	-
US Treasury Notes/Bonds	1,271,500	-	-
Zane State College	-	-	1,100,000
Corporate Bonds	1,282,468	-	-
Money Markets	323,252	-	-
	<u>\$ 10,233,131</u>	<u>\$ -</u>	<u>\$ 1,100,000</u>

Interpretation of UPMIFA: The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. The Foundation did not have any deficiencies of this nature as of June 30, 2018.

**Donated Facilities/Operating Expenses**

The Foundation occupies office space at Zane State College located at 1555 Newark Road, Zanesville, Ohio. No rent is paid by the Foundation. Zane State College pays operating expenses for the Foundation. The value of the operating expenses paid by the College was \$222,250. This amount has been recorded in the financial statements as a contribution to and an expense from unrestricted net position and is described in the revenue section as in-kind contributions (ZSC), see MD&A, page 9.

**Zane State College**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION (Cont.)**

**Net Assets Released from Restrictions**

Net assets were released from donor restrictions in fiscal year 2018 by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. The Foundation distributed \$676,538 in scholarships that related to the satisfaction of these donor restrictions.

**NOTE 11 – PENSION AND RETIREMENT PLANS**

**Net Pension Liability**

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

**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](http://www.ohsers.org) under Employers/Audit Resources.

**Zane State College**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)**

**Plan Description - School Employees Retirement System (SERS) (Continued)**

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 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.

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

Funding Policy – Plan members are required to contribute 10 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, 2018, 13.5% was designated to pension, death benefits, and Medicare B. There was 0.5% allocated to the Health Care Fund for fiscal year 2018.

The College’s contractually required contribution to SERS was \$484,182 for fiscal year 2018.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – College licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://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 was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until Aug. 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.

**NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)**

**Plan Description - State Teachers Retirement System (STRS) (Continued)**

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% 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 after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS Ohio was \$633,053 for fiscal year 2018.

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

The net pension liability reported as of June 30, 2018 was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

**Zane State College**  
*Notes to the Financial Statements*  
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**NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)**

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - Current Year	0.1038891%	0.04487159%	
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.1207763%</u>	<u>0.05011378%</u>	
Change in Proportionate Share	<u>-0.0168872%</u>	<u>-0.00524219%</u>	
Proportion of the Net Pension Liability	\$6,207,144	\$10,659,342	\$16,866,486
Pension Expense (Gain)	(\$585,240)	(\$4,789,901)	(\$5,375,141)

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Outflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$267,133	\$411,614	\$678,747
Difference from a change in proportion and differences between College contributions and proportionate share of contributions	103,933	-	103,933
Changes of assumptions	373,151	2,331,315	2,704,466
College contributions subsequent to the measurement date	<u>484,182</u>	<u>633,053</u>	<u>1,117,235</u>
Total	<u>\$1,228,399</u>	<u>\$3,375,982</u>	<u>\$4,604,381</u>
<b>Deferred Inflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$0	\$85,910	\$85,910
Differences between projected and actual investment earnings	29,464	351,770	381,234
Difference from a change in proportion and differences between College contributions and proportionate share of contributions	<u>975,875</u>	<u>2,268,712</u>	<u>3,244,587</u>
Total	<u>\$1,005,339</u>	<u>\$2,706,392</u>	<u>\$3,711,731</u>

\$1,117,235 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	(\$68,510)	(\$210,941)	(\$279,451)
2020	67,916	272,678	340,594
2021	(115,826)	96,213	(19,613)
2022	<u>(144,702)</u>	<u>(121,413)</u>	<u>(266,115)</u>
Total	<u>(\$261,122)</u>	<u>\$36,537</u>	<u>(\$224,585)</u>

**Zane State College**  
*Notes to the Financial Statements*  
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**NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)**

**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, 2017, are presented below:

Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Inflation	3.00 percent
Investment Rate of Return	7.50 percent 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% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement. The 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 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 averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:



**Zane State College**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)**

**Actuarial Assumptions – SERS (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Estate	15.00	5.00
Multi-Asset Strategy	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

**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 College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 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.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
College's proportionate share of the net pension liability	\$8,613,903	\$6,207,144	\$4,190,993

**Zane State College**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)**

**Actuarial Assumptions - STRS**

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

Inflation	2.50 percent
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	0% effective July 1, 2017
Payroll Increases	3.00%

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

Actuarial assumptions used in the July 1, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
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	 <u>100.00 %</u>	

\* 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 Ohio’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Zane State College**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)**

**Actuarial Assumptions – STRS (Continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. 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 Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

**Sensitivity of the College’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the College’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 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%)
College's proportionate share of the net pension liability	\$15,279,805	\$10,659,342	\$6,767,296

**Alternative Retirement Plan**

The College offers a defined contribution plan as an alternative to participation with State mandated defined benefit plans in accordance with state law. Non-elective employee contributions and employer contributions are made to the plan in amounts equivalent to the participant’s compensation which would have otherwise been contributed to the State Retirement System that applies to the participant’s position. There were no participants in the program as of June 30, 2018. Contributions to the plan for the fiscal years ended June 30, 2018, 2017 and 2016 were \$0 for each year.

**NOTE 12 – DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability**

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

The net OPEB liability represents the College’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability 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 OPEB are financed; however, the College does receive the benefit of employees’ services in exchange for compensation including OPEB.

**NOTE 12 – DEFINED BENEFIT OPEB PLANS (Cont.)**

**Net OPEB Liability (Continued)**

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

**School Employees Retirement System**

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](http://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 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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 2018, the College's surcharge obligation was \$4,551.

The surcharge, added to the 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 \$22,476 for fiscal year 2018.

**Zane State College**  
*Notes to the Financial Statements*  
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**NOTE 12 – DEFINED BENEFIT OPEB PLANS (Cont.)**

**State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

**Net Other Post Employment Benefit (OPEB) Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability**

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College’s proportion of the net OPEB liability was based on the College’s share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability Prior Measurement Date	0.11109230%	0.05011378%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.09498150%</u>	<u>0.04487159%</u>	
Change in Proportionate Share	<u>-0.01611080%</u>	<u>-0.00524219%</u>	
Proportionate Share of the Net OPEB Liability	\$2,549,054	\$1,750,724	\$4,299,778
OPEB Expense (Gain)	(\$28,300)	(\$574,277)	(\$602,577)

**Zane State College**  
*Notes to the Financial Statements*  
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**NOTE 12 – DEFINED BENEFIT OPEB PLANS (Cont.)**

**Net Other Post Employment Benefit (OPEB) Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Continued)**

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Deferred Outflows of Resources</b>	<b>SERS</b>	<b>STRS</b>	<b>Total</b>
Differences between expected and actual economic experience	\$0	\$101,062	\$101,062
College contributions subsequent to the measurement date	22,476	0	22,476
<b>Total</b>	<b>\$22,476</b>	<b>\$101,062</b>	<b>\$123,538</b>
<b>Deferred Inflows of Resources</b>	<b>SERS</b>	<b>STRS</b>	<b>Total</b>
Differences between projected and actual investment earnings	\$6,731	\$74,830	\$81,561
Changes of assumptions	241,892	141,026	382,918
Difference from a change in proportion and differences between College contributions and proportionate share of contributions	337,097	240,303	577,400
<b>Total</b>	<b>\$585,720</b>	<b>\$456,159</b>	<b>\$1,041,879</b>

\$22,476 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. 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:	<b>SERS</b>	<b>STRS</b>	<b>Total</b>
2019	(\$211,461)	(\$65,419)	(\$276,880)
2020	(211,461)	(65,419)	(276,880)
2021	(161,116)	(65,419)	(226,535)
2022	(1,682)	(65,421)	(67,103)
2023	0	(46,712)	(46,712)
Thereafter	0	(46,707)	(46,707)
<b>Total</b>	<b>(\$585,720)</b>	<b>(\$355,097)</b>	<b>(\$940,817)</b>

**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.

**Zane State College**  
*Notes to the Financial Statements*  
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**NOTE 12 – DEFINED BENEFIT OPEB PLANS (Cont.)**

**Actuarial Assumptions – SERS (Continued)**

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, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates 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.

**Zane State College**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 12 – DEFINED BENEFIT OPEB PLANS (Cont.)**

**Actuarial Assumptions – SERS (Continued)**

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	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	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 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 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and 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 (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
College's proportionate share of the net OPEB liability	\$3,078,307	\$2,549,054	\$2,129,750
	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
College's proportionate share of the net OPEB liability	\$2,068,366	\$2,549,054	\$3,185,252



**Zane State College**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 12 – DEFINED BENEFIT OPEB PLANS (Cont.)**

**Actuarial Assumptions - STRS**

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent 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, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 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.

Also since the prior measurement date, 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 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

**Zane State College**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 12 – DEFINED BENEFIT OPEB PLANS (Cont.)**

**Actuarial Assumptions – STRS (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
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	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent 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 actual rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

**Zane State College**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 12 – DEFINED BENEFIT OPEB PLANS (Cont.)**

**Actuarial Assumptions – STRS (Continued)**

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
College's proportionate share of the net OPEB liability	\$2,350,319	\$1,750,724	\$1,276,848
	1% Decrease	Current Trend Rate	1% Increase
College's proportionate share of the net OPEB liability	\$1,216,328	\$1,750,724	\$2,454,051

**NOTE 13 – RISK MANAGEMENT**

**A. Property and Liability**

The College is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the College contracted through the Young Insurance Agency for liability, property, vehicle insurance, and errors and omissions insurance with Ohio Casualty Company.

Coverage provided is as follows:

Umbrella Liability (No deductible)	\$ 4,000,000 limit
Building and Contents - replacement cost (\$10,000 deductible)	65,948,931 limit
Inland Marine Watercraft (\$1,000 deductible)	49,429 limit
Inland Marine Contractor Equipment (\$5,000 deductible)	162,703 limit
Inland Marine EDP coverage Main (\$10,000 deductible)	525,000 limit
Boiler and Machinery (\$10,000 deductible)	65,948,931 limit
Theft, Disappearance and Destruction (\$5,000 deductible)	75,000 limit
Data Compromise (\$2,500 deductible)	inside and outside premises 250,000 limit
Employee Dishonesty Insurance (\$5,000 deductible)	100,000 limit each employee
Automobile Liability - Bodily Injury and Property Damage (\$500 deductible)	1,000,000 each accident
General and Professional Liability Insurance	1,000,000 each occurrence 5,000,000 aggregate

Settled claims have not exceeded this commercial coverage in any of the past three years. The College had no significant changes in insurance coverage from the prior year.

**Zane State College**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 13 – RISK MANAGEMENT (Cont.)**

**B. Workers’ Compensation and Healthcare**

For fiscal year 2018, the College participated in the Ohio College Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the College by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating colleges is calculated as one experience and a common premium rate is applied to all colleges in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling” arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to colleges that can meet the GRP’s selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

The College is self-insured for health claims. The College estimates the liability for health claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. The liability is recorded within other accrued liabilities in the statement of net position. Changes in the estimated liability for fiscal years ended June 30, 2018 and 2017 was as follows:

	Health Claims	
	2018	2017
Unpaid claims – Beginning of year	\$192,868	\$66,953
Incurred claims, including claims incurred but not reported	1,121,634	1,432,188
Claims payments	(1,147,838)	(1,306,273)
Unpaid claims – End of year	\$166,664	\$192,868

**NOTE 14 – CONTINGENCIES**

**A. Grants**

The College received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Current Unrestricted Educational and General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the College at June 30, 2018.

**B. Litigation**

The College is not currently party to any legal proceedings.

**NOTE 15 – NET POSITION RESTRICTED BY ENABLING LEGISLATION**

Of the College’s \$2,631,530 in restricted net position, none was restricted by enabling legislation.

**Zane State College**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 16 – NEW ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION**

For the fiscal year ended June 30, 2018, the College has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73*, and GASB Statement No. 85, *Omnibus 2017*.

GASB Statement No. 75 (GASB 75) establishes accounting and financial reporting requirements for governmental employers who have other post-employment benefits (OPEB) plans. The implementation of GASB Statement No. 75 had the following effect on the financial statements of the College and certain additional disclosures have been made in the notes to the basic financial statements.

Net position, July 1, 2017-As previously stated	\$6,413,601
College Share of Beginning Plan Net OPEB Liability	(5,846,640)
College Share of 2017 Employer Contributions	<u>3,468</u>
Net position, July 1, 2017-As restated	<u>\$ 570,429</u>

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. GASB Statement No. 82 did not have an effect on the financial statements of the College.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 did not have an effect on the financial statements of the College.

**Zane State College**  
*Required Supplementary Information*  
*Schedule of the College's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Five Years*

	2017	2016	2015	2014	2013
Total pension liability	\$ 19,588,417,687	\$ 19,770,708,121	\$ 18,503,280,961	\$ 17,881,827,171	\$ 17,247,161,078
Plan net position	13,613,638,590	12,451,630,823	12,797,184,030	12,820,884,107	11,300,482,029
Net pension liability	5,974,779,097	7,319,077,298	5,706,096,931	5,060,943,064	5,946,679,049
College's proportion of the net pension liability	0.1038891%	0.1207763%	0.1296965%	0.1231800%	0.1231800%
College's proportionate share of the net pension liability	\$ 6,207,144	\$ 8,839,711	\$ 7,400,608	\$ 6,234,070	\$ 7,325,119
College's covered payroll	\$ 3,485,664	\$ 3,750,864	\$ 3,904,423	\$ 3,579,380	\$ 3,412,970
College's proportionate share of the net pension liability as a percentage of its covered payroll	178.08%	235.67%	189.54%	174.17%	214.63%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available. Amounts presented as of the College's measurement date which is the prior fiscal year.

**Zane State College**  
*Required Supplementary Information*  
*Schedule of the College's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Five Years*

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total plan pension liability	\$ 96,126,440,462	\$ 100,756,422,489	\$ 99,014,653,744	\$ 96,167,057,104	\$ 94,366,693,720
Plan net position	72,371,226,119	67,283,408,184	71,377,578,736	71,843,596,331	65,392,746,348
Net pension liability	23,755,214,343	33,473,014,305	27,637,075,008	24,323,460,773	28,973,947,372
College's proportion of the net pension liability	0.04487159%	0.05011378%	0.05499969%	0.05649551%	0.05649551%
College's proportionate share of the net pension liability	\$ 10,659,342	\$ 16,774,593	\$ 15,200,306	\$ 13,741,663	\$ 16,368,979
College's covered payroll	\$ 5,090,279	\$ 5,272,936	\$ 5,738,293	\$ 5,772,454	\$ 6,442,862
College's proportionate share of the net pension liability as a percentage of its covered payroll	209.41%	318.13%	264.89%	238.06%	254.06%
Plan fiduciary net position as a percentage of the total pension liability	75.29%	66.78%	72.09%	74.71%	69.30%

(1) Information prior to 2013 is not available.  
Amounts presented as of the College's measurement date which is the prior fiscal year.

**Zane State College**  
*Required Supplementary Information*  
*Schedule of College Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 484,182	\$ 487,993	\$ 525,121	\$ 514,603	\$ 496,102	\$ 472,355	\$ 496,292	\$ 493,136	\$ 433,955	\$ 389,157
Contributions in relation to the contractually required contribution	(484,182)	(487,993)	(525,121)	(514,603)	(496,102)	(472,355)	(496,292)	(493,136)	(433,955)	(389,157)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 3,586,533	\$ 3,485,664	\$ 3,750,864	\$ 3,904,423	\$ 3,579,380	\$ 3,412,970	\$ 3,689,903	\$ 3,923,119	\$ 3,204,985	\$ 3,954,848
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%



**Zane State College**  
*Required Supplementary Information*  
*Schedule of College Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 633,053	\$ 712,639	\$ 738,211	\$ 803,361	\$ 750,419	\$ 837,572	\$ 881,003	\$ 802,265	\$ 743,358	\$ 663,124
Contributions in relation to the contractually required contribution	(633,053)	(712,639)	(738,211)	(803,361)	(750,419)	(837,572)	(881,003)	(802,265)	(743,358)	(663,124)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College covered payroll	\$ 4,521,807	\$ 5,090,279	\$ 5,272,936	\$ 5,738,293	\$ 5,772,454	\$ 6,442,862	\$ 6,776,946	\$ 6,171,269	\$ 5,718,138	\$ 5,100,954
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**Zane State College**  
*Required Supplementary Information*  
*Schedule of the College's Proportionate Share of the Net OPEB Liability*  
*School Employees Retirement System of Ohio*  
*Last Two Years*

	<u>2017</u>	<u>2016</u>
Total plan OPEB liability	\$ 3,065,846,821	\$ 3,220,574,434
Plan net position	382,109,560	370,204,515
Net OPEB liability	2,683,737,261	2,850,369,919
College's proportion of the net OPEB liability	0.09498150%	0.11109230%
College's proportionate share of the net OPEB liability	\$ 2,549,054	\$ 3,166,542
College's covered payroll	\$ 3,485,664	\$ 3,750,864
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	73.13%	84.42%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

(1) Information prior to 2016 is not available.

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

**Zane State College**  
*Required Supplementary Information*  
*Schedule of the College's Proportionate Share of the Net OPEB Liability*  
*State Teachers Retirement System of Ohio*  
*Last Two Years*

	<u>2017</u>	<u>2016</u>
Total plan OPEB liability	\$ 7,377,410,000	\$ 8,533,654,000
Plan net position	<u>3,475,779,000</u>	<u>3,185,628,000</u>
Net OPEB liability	3,901,631,000	5,348,026,000
College's proportion of the net OPEB liability	0.04487159%	0.05011378%
College's proportionate share of the net OPEB liability	\$ 1,750,724	\$ 2,680,098
College's covered payroll	\$ 5,090,279	\$ 5,272,936
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	34.39%	50.83%
Plan fiduciary net position as a percentage of the total OPEB liability	47.11%	37.33%

(1) Information prior to 2016 is not available.

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

**Zane State College**  
*Required Supplementary Information*  
*Schedule of College Contributions for OPEB*  
*School Employees Retirement System of Ohio*  
*Last Three Years*

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	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 22,476	\$ 3,468	\$ -
Contributions in relation to the contractually required contribution	<u>(22,476)</u>	<u>(3,468)</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 3,586,833	\$ 3,485,664	\$ 3,750,864
Contributions as a percentage of covered payroll (1)	0.63%	0.10%	0.00%

Information prior to 2016 is not available.

**Zane State College**  
*Required Supplementary Information*  
*Schedule of College Contributions for OPEB*  
*State Teachers Retirement System of Ohio*  
*Last Three Years*

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	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College covered payroll	\$ 4,521,807	\$ 5,090,279	\$ 5,272,936
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

(1) Information prior to 2016 is not available.

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**Zane State College**  
*Schedule of Federal Awards Receipts and Expenditures*  
*For the Fiscal Year Ended June 30, 2018*

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b>United States Department of Labor</b>				
<i>Passed Through Lorain Community College:</i>				
Trade Adjustment Assistance Community College Career Training Program Grant (TAACCCT)	N/A	17.282	\$ 188,473	\$ 189,234
<i>Passed Through Guernsey County Department of Jobs and Family Services:</i>				
YouthBuild - Career Expo and Ready Grant	N/A	17.274	<u>57,812</u>	<u>57,812</u>
Total United States Department of Labor			<u>246,285</u>	<u>247,046</u>
<b>Appalachian Regional Commission</b>				
<i>Direct from the Federal Agency:</i>				
Appalachian Regional Development	N/A	23.001	73,413	73,413
Appalachian Area Development	N/A	23.002	<u>-</u>	<u>4,654</u>
Total Appalachian Regional Commission			<u>73,413</u>	<u>78,067</u>
<b>United States Department of Education</b>				
<i>Direct from the Federal Agency:</i>				
Student Financial Aid Cluster:				
Federal Direct Student Loans	N/A	84.268	2,006,693	2,006,693
Federal Work-Study Program	N/A	84.033	67,613	69,175
Federal Pell Grant Program	N/A	84.063	<u>2,732,347</u>	<u>2,732,347</u>
Total Student Financial Aid Cluster			4,806,653	4,808,215
TRIO - Student Support Services	N/A	84.042	189,829	189,829
<i>Passed Through the Ohio Department of Education:</i>				
Career and Technical Education - Basic Grants to States	3L90	84.048	<u>63,930</u>	<u>70,311</u>
Total Passed Through the Ohio Department of Education			<u>63,930</u>	<u>70,311</u>
Total United States Department of Education			<u>5,060,412</u>	<u>5,068,355</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 5,380,110</u>	<u>\$ 5,393,468</u>

See the Notes to the Schedule of Federal Award Receipts and Expenditures

**Zane State College**  
*Notes to the Schedule of Federal Awards Receipts and Expenditures*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) includes federal grant activity of the College under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The College has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D – FEDERAL DIRECT LOANS PROGRAM**

The College participates in the Federal Direct Student Loan Program. The dollar amount listed in the Schedule represents new loans advanced during the fiscal year ended June 30, 2018. The College is a direct lender for these loan funds; however, they are not responsible for collecting these loans in future periods.





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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

December 7, 2018

Zane State College  
Muskingum County  
1555 Newark Road  
Zanesville, OH 43701

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the discretely presented component unit of **Zane State College**, Muskingum County, (the College) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 7, 2018.

***Internal Control Over Financial Reporting***

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

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

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

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***Compliance and Other Matters***

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

***Purpose of this Report***

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



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

December 7, 2018

Zane State College  
Muskingum County  
1555 Newark Road  
Zanesville, OH 43701

To the Board of Trustees:

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

We have audited **Zane State College's** (the College) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Zane State College's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the College's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to opine on the College's compliance for the College's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and 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). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Zane State College complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

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

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

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

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

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



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**Zane State College**  
*Schedule of Audit Findings*  
 2 CFR § 200.515  
 For the Fiscal Year Ended June 30, 2018

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Student Financial Aid Cluster: Federal Direct Student Loans CFDA #84.268, Federal Work-Study Program CFDA #84.033, Federal Pell Grant Program CFDA #84.063
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: > All Others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee 2 CFR § 200.520?</b>	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None



*Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2018*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	Financial Reporting	Corrected	N/A



# Dave Yost • Auditor of State

**ZANE STATE COLLEGE**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 27, 2018**