# Eastern Gateway Community College

## Basic Financial Statements
## June 30, 2017 and 2016

# Dave Yost • Auditor of State

Board of Trustees
Eastern Gateway Community College
4000 Sunset Boulevard
Steubenville, Ohio 43952

We have reviewed the *Independent Auditor's Report* of the Eastern Gateway Community College, Jefferson County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2016 through June 30, 2017. 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 Eastern Gateway Community College is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

April 2, 2018

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## Eastern Gateway Community College

For the Years Ended June 30, 2017 and 2016

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# Independent Auditor's Report

Board of Trustees
Eastern Gateway Community College
Steubenville, Ohio

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Eastern Gateway Community College (the "College"), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

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Board of Trustees
Eastern Gateway Community College

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College, as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 20 and the schedules of the College's proportionate share of the net pension liability and the schedules of the College's contributions on pages 59 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Ciuni + Panichi, Inc.

Cleveland, Ohio
March 30, 2018

## Introduction

Our discussion and analysis of Eastern Gateway Community College's (the "College") financial performance provides an overview of The College's financial activities for the year ended June 30, 2017, with selected comparative information for the years ended June 30, 2016 and 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto which follow this section.

The College is a public, two-year community college operating under the authority of the Ohio Department of Education. Governed by a ten-member board of trustees appointed by the governor, The College offers over 70 associate degree programs and majors and numerous certificate programs. In addition to pre- baccalaureate and technical programs, the College provides many continuing education opportunities through flexibly scheduled courses, seminars, and on-site training for area businesses and industries and has one of the largest co-op education programs in the country. The College is fully accredited by the Higher Learning Commission and holds numerous programmatic accreditations.

The College serves Trumbull, Mahoning, Columbiana, and Jefferson Counties in eastern Ohio and the Mahoning Valley. Educational programs and services are delivered at the main Jefferson county campus and its Valley Center site in downtown Youngstown. Distance learning courses enroll students from both outside and within the geographic region. On-line student growth in fiscal year 2017 was approximately 5,700. At The College, access means geographic convenience, affordability, and resources to allow students to matriculate successfully.

## Using the Financial Statements

The College's financial report consists of three financial statements: the statements of net position; the statements of revenue, expenses, and changes in net position; and the statements of cash flows. These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles. The College has adopted GASB Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities, as amended by additional GASB statements. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements focus on The College as a whole, with resources classified for accounting and reporting purposes into three net position categories.

Under the provision of GASB Statement No. 61, The Financial Reporting Entity: Omnibus, Eastern Gateway Community College Foundation, a 501-C-3 non-profit organization, (the "Foundation") has been determined to be a component unit of The College. Accordingly, the Foundation will be discretely presented in The College's financial statements. The discretely presented component unit has been excluded from the management's discussion and analysis.

During fiscal year 2015, the College implemented GASB Statement No. 68, Accounting and Reporting for Pensions, an amendment to GASB Statement No. 27, and Statement No. 1, Pension Transition for Contributions Made Subsequent to the Measurement Date. The College is now recognizing its unfunded pension benefit obligation as a liability on the statement of net position. The statements also enhance accountability and transparency through revised note disclosures and required supplemental information.

## Statement of Net Position

The statement of net position presents the financial position of the College at the end of the fiscal year. Net position represents the difference between total assets and deferred outflows and total liabilities and deferred inflows. Net position indicates the overall financial condition of the College, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summarized comparison of the College's assets and deferred outflows, liabilities and deferred inflows, and net position at June 30 follows (in thousands):

**Statement of Net Position**

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| **Assets and Deferred Outflows** | | | |
| Cash, cash equivalents, and investments | $1,299 | $2,121 | $2,787 |
| Accounts receivable - Net | 14,268 | 3,074 | 3,373 |
| Other assets | 409 | 792 | 527 |
| Capital assets - Net | 14,849 | 13,992 | 13,371 |
| Total assets | 30,825 | 19,979 | 20,058 |
| Deferred outflows | 4,681 | 1,971 | 1,385 |
| Total assets and deferred outflows | **$35,506** | **$21,950** | **$21,443** |
| **Liabilities and Deferred Inflows** | | | |
| Accounts payable and accrued expenses | $957 | $699 | $783 |
| Unearned revenue | 9,986 | 379 | 266 |
| Long-term liabilities – current portion | 419 | 182 | 345 |
| Long-term liabilities | 24,829 | 23,301 | 21,201 |
| Total liabilities | 36,191 | 24,561 | 22,595 |
| Deferred inflows | 3,228 | 2,115 | 4,198 |
| Total liabilities and deferred inflows | 39,419 | 26,676 | 26,793 |
| **Net Position** | | | |
| Net investment in capital assets | 13,214 | 12,276 | 11,668 |
| Restricted | 942 | 524 | 483 |
| Unrestricted | (18,069) | (17,526) | (17,501) |
| Total net position | (3,913) | (4,726) | (5,351) |
| Total liabilities, deferred inflows, and net position | **$35,506** | **$21,950** | **$21,443** |

**Assets**

Cash and cash equivalents, restricted cash, and investments make-up 3.7 percent,9.7 percent, and 13.0 percent of total assets and deferred outflows at June 30, 2017, 2016, and 2015, respectively. Cash and cash equivalents, restricted cash, and investments include bank deposits, cash on hand, U.S. government agency securities, and Treasury notes. Cash and cash equivalents, restricted cash, and investments were down $0.8 million at June 30, 2017 from June 30, 2016. This was primarily due to a $1.5 million liquidation of grant funds to pay for welding and machining equipment at both the Steubenville and Youngstown campuses.

Accounts receivable make up 40.2 percent, 14.0 percent, and 15.7 percent of the total assets and deferred outflows at June 30, 2017, 2016, and 2015, respectively. The net increase in accounts receivable in fiscal year 2017 was attributable primarily to deferred income have been excluded from both tuition and other accounts receivable in prior years. The decrease in accounts receivable in fiscal year 2016 was attributable primarily to the reduced property tax receivable. Accounts receivable at June 30 include (in thousands):

| | **2017** | **2016** | **2015** |
|---|---|---|---|
| Grants | $358 | $485 | $399 |
| Other | 138 | 57 | 61 |
| Tuition and other | 14,486 | 2,859 | 2,559 |
| Collaboration agreement | 500 | 679 | 884 |
| Property taxes | 923 | 889 | 1,255 |
| Allowance for doubtful accounts | (2,137) | (1,895) | (1,785) |
| Total | **$14,268** | **$3,074** | **$3,373** |

Capital assets, net of depreciation, make up 41.8 percent, 63.7 percent, and 62.4 percent of the total assets and deferred outflows at June 30, 2017, 2016, and 2015, respectively. The decrease in the capital assets percentage in fiscal year 2017 is due primarily to the increase in Total Assets. While investment in capital assets increased in fiscal year 2017, the decrease in the capital assets percentage is due primarily to the increase in accounts receivable and cash and cash equivalents. Other assets include prepaid expenses and other College inventories.

### Liabilities

The $12.7 million increase for fiscal year 2017 in total liabilities and deferred inflows was primarily due to the recognition of unearned tuition revenue of $9.7 million and a $2.1 million increase in SERS pension liability.

On December 19, 2014, the College issued $1,011,000 of Series A Ohio Air Quality Development Authority ("OAQDA") Bonds for the purpose of assisting The College in financing of the costs of the acquisition, construction and installation of personal property comprising "air quality facilities" to be located on the campus of EGCC. Interest payments, at a fixed rate of 2.30 percent are payable on January 1 and July 1 of each year, until the principal amount is paid. The bonds were issued for a ten-year period with a final maturity date of January 1, 2024.

On December 19, 2014, the College issued $820,000 of Series B Ohio Air Quality Development Authority ("OAQDA") Bonds for the purpose of assisting The College in financing of the costs of the acquisition, construction and installation of personal property comprising "air quality facilities" to be located on the campus of EGCC. Interest payments, at a fixed rate of 5.02 percent are payable on January 1 and July 1 of each year, until the principal amount is paid. The bonds were issued for a fifteen-year period with a final maturity date of January 1, 2029. Long-term liabilities at June 30 include (in thousands):

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| **Bonds** | | | |
| OAQDA 2014 Series A | $ 785 | $ 901 | $ 1,011 |
| OAQDA 2014 Series B | 820 | 820 | 820 |
| Total bonds | 1,605 | 1,721 | 1,831 |
| Loans payable | 123 | - | - |
| Net pension liability – SERS | 7,089 | 4,936 | 4,709 |
| Net pension liability – STRS | 15,689 | 15,987 | 14,009 |
| Compensated absences | 742 | 839 | 997 |
| Total | $ 25,248 | $ 23,483 | $ 21,546 |

## Net Position

Net position for the following fiscal years ended (in dollars):

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Net investment in capital assets | $ 13,213,661 | $ 12,276,093 | $ 11,667,771 |
| Restricted Non-expendable: | | | |
| Scholarships | 64,555 | 64,120 | 63,690 |
| Restricted Expendable: | | | |
| Scholarships | 400,242 | 197,504 | 190,019 |
| Capital | 116,559 | 223,902 | 207,647 |
| Agency | 3,706 | - | - |
| Educational | 357,933 | 37,887 | 20,913 |
| Unrestricted | (18,069,349) | (17,525,624) | (17,500,741) |
| Total net position | $ (3,912,693) | $ (4,726,118) | $ (5,350,701) |

The scholarships assets are the College endowment fund which is available for scholarships for students.

Net position restricted for capital reflects the unspent state funds received by the College that are available for future capital purchases or improvements. The College currently receives an annual allocation for these types of purchases.

Net position restricted for educational and general represent various grant funds that have been received but not yet expended.

The unrestricted net position of the College increased by $624,583 for the fiscal year ended June 30, 2016. For fiscal year ended June 30, 2017, the total net position increased $813,425.

## Statement of Revenue, Expenses, and Changes in Net Position

The statement of revenue, expenses, and changes in net position presents both the operating results and the non-operating revenue and expenses of the College. State appropriations, while budgeted for operations, are considered non-operating revenue.

A summarized comparison for the years ended June 30 follows (in thousands):

Statement of Revenue, Expenses, and Changes in Net Position

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| **Revenue** | | | |
| Tuition and fees, net | $8,608 | $4,323 | $3,997 |
| Grants and contracts | 3,285 | 1,983 | 3,259 |
| Auxiliary services | 123 | 169 | 176 |
| Other operating revenue (expenses) | 30 | (1,218) | (961) |
| Non-operating revenue (expenses) | 17,883 | 13,346 | 12,405 |
| Total revenue | 29,929 | 18,603 | 18,876 |
| **Expenses** | | | |
| Education and general | 5,697 | 6,786 | 6,772 |
| Public service | 1,250 | 326 | 446 |
| Academic support | 656 | 770 | 776 |
| Student services | 3,533 | 2,434 | 3,681 |
| Institutional support | 8,610 | 4,298 | 4,423 |
| Operations and maintenance of plant | 1,098 | 1,018 | 1,083 |
| Depreciation | 769 | 628 | 584 |
| Scholarships | 7,380 | 1,671 | 1,217 |
| Auxiliary services | 123 | 47 | 50 |
| Total expenses | 29,116 | 17,978 | 19,032 |
| Increase (decrease) in net position | 813 | 625 | (156) |
| Net position – Beginning of year | (4,726) | (5,351) | 16,356 |
| Adjustment for change in accounting principle/other | - | - | (21,551) |
| Net position – End of year | **$(3,913)** | **$(4,726)** | **$(5,351)** |

### Revenues

Revenues for fiscal year 2017 increased by $11.3 million or 60.9 percent over fiscal year 2016. The change derives primarily from the following three functional categories of revenue:

1. Student tuition and fees are reported net of scholarship allowance. The 99.1 percent growth over fiscal year 2016 is the result of an approximate 5,700 enrollment increase.

2. Grants and contracts increased by $1.3 million, or 65.6 percent, compared to fiscal year 2016. The major portion of this increase is related to two US Department of Labor Grants (TAACCCT grants).

3. Non-operating revenue increased by $4.5 million, or 34.0 percent primarily due to Federal Pell growth – $4.7 million, State Subsidy growth – $1.2 million, and Online union collaboration growth.

### Expenses

Expenses for fiscal year 2017 increased by $11.1 million, or 61.9 percent, over fiscal year 2016. The change derives primarily from the following four functional categories of expense:

1. Institutional support expenses increased by $4.3 million, or 103.3 percent, over fiscal year 2016. This was primarily the result of partnership and on-line union collaboration growth.

2. Student services expenses increased by $1.1 million or 45.1 percent, over fiscal year 2016, due to enrollment growth.

3. Scholarship expenses increased by $5.7 million, or 341.6 percent, over fiscal year 2016 due to $5.3 million in AFSCME scholarships.

### Statement of Cash Flows

The statement of cash flows provides additional information about The College's financial results by reporting the major sources and uses of cash. A comparative summary of the statement of cash flows for the years ended June 30 follows (in thousands):

Statement of Cash Flows

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Net cash used in operating activities | $(15,595) | $(11,225) | $(11,551) |
| Net cash provided by non-capital financing activities | 15,688 | 10,505 | 11,061 |
| Net cash used in capital and related financial activities | 490 | 31 | 367 |
| Net cash provided by investing activities | 15 | 17 | 456 |
| Net (decrease) increase in cash and cash equivalents | 598 | (672) | 333 |
| Cash and cash equivalents – Beginning of year | 423 | 1,095 | 762 |
| Cash and cash equivalents – End of year | **$1,021** | **$423** | **$1,095** |

The primary cash receipts from operating activities consist of tuition and fee revenue. Cash outlays for operating activities include payments of wages, benefits, supplies, utilities, and scholarships.

## Capital Assets

Capital assets, net of accumulated depreciation, totaled $14.8 million, $14.0 million, and $13.3 million at June 30, 2017, 2016, and 2015, respectively, an increase of $0.8 million and an increase of $0.7 million in fiscal years 2017 and 2016, respectively. Changes in capital assets during fiscal years 2017, 2016, and 2015 included (in millions):

| | 2015 | Net Additions/ Reductions | 2016 | Net Additions/ Reductions | 2017 |
|---|---|---|---|---|---|
| Land | $ 0.7 | $ 0.0 | $ 0.7 | $ 0.0 | $ 0.7 |
| Land improvements | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Building and improvements | 20.4 | 1.9 | 22.3 | 1.3 | 23.6 |
| Equipment | 2.3 | 0.1 | 2.4 | 1.2 | 3.6 |
| Construction in progress | 1.6 | (0.7) | 0.9 | (0.9) | 0.0 |
| Accumulated depreciation | (11.7) | (0.6) | (12.3) | (0.8) | (13.1) |
| Total | $ 13.3 | $ 0.7 | $ 14.0 | $ 0.8 | $ 14.8 |

## Economic Impact on Future Operations

To bolster the Ohio economy, the governor has placed higher education at the top of Ohio's priorities, emphasizing affordability, graduation, completion, and quality. On June 30, 2017, Ohio Governor Kasich signed HB 49, as amended, into law, the State's Biennium Budget Bill, which maintained higher education funding, or State Share of Instruction (SSI), at the fiscal year 2017 level of $456 million over the two-year cycle of fiscal years 2018 and 2019. Tuition was frozen for fiscal year 2018 but certain fees were allowed to be increased. The College's share of SSI increased $1.27 million (19.8 percent) in fiscal year 2017 and is projected to increase $1.06 million (13.8 percent) in fiscal year 2018.

Major changes were made to the community college funding formula, or State Share of Instruction (SSI), over the last biennium ended June 30, 2015. For fiscal year 2014, SSI was based 50 percent on enrollment, 25 percent on course completions, and 25 percent on success point metrics, with additional weighted funding for access categories of low income, adult, and minority.

For fiscal year 2015, the enrollment component of SSI was eliminated and replaced with a combination of course completions (50 percent), success points (25 percent), and completion metrics such as associate degrees, certificates, and transfers (25 percent). At-Risk or access category weights were assigned to eligible students (low-income, adult, minority). A statewide funding consultation group comprised of representatives of each of the 23 Ohio community colleges was established to develop the SSI funding components and weights for fiscal years 2015 and 2016, which they completed and added an additional risk category of academic preparedness for the 2016-2017 biennium budget.

Working in tandem with the governor's initiatives, the Ohio Board of Regents has been asked to work with the University System of Ohio adult career centers, community colleges, and universities to implement curricular models for graduating students with the skills employers are seeking as quickly and cost-effectively as possible.

This Complete College Ohio initiative intends to provide comprehensive and bold new proposals to accomplish the goal of graduating more students and encouraging them to remain in Ohio upon graduation.

## Economic Impact on Future Operations (continued)

While the outlook for state support of higher education in Ohio is positive, the College exists in an increasingly competitive environment and faces challenging economic and demographic trends. In response to the competition, a number of proactive initiatives have been addressed in strategic planning, academics, workforce development, quality improvement, enrollment and retention, fundraising, energy management, and other services to minimize the economic impact of competition on the College's future operations.

## Strategic Planning

The College is currently in the process of implementing its 2017-2020 Strategic Plan. This plan is designed to establish common goals and objectives across the College and provide a foundation of understanding for all stakeholders to strive toward in the future. The Strategic Plan outlines methods of driving the institution forward and fulfilling the mission and vision of The College will keeping sight of the Core Values of the institution. As the College has undergone significant changes in leadership over the past two years, the plan will provide focus and stability as The College faces the future.

The College's Strategic Plan contains three distinctive strategic goals: (1) EGCC will engage every student and provide the support needed to achieve student success; (2) EGCC will operate within a framework of continuous improvement; and (3) EGCC will explore and implement strategies to ensure financial stability and vitality into the future utilizing 2016 as our base year. KPI's and objectives have been established for each goal. Teams that are representative of the stakeholder groups across the College as well as representative of the College locations have been assigned to each goal and are actively working to achieve the goals established within the teams. The College has established a College wide meeting schedule to report updates and progress on goals on a quarterly basis throughout the year with the first progress report having been completed December 12, 2017. On-going work is being documented and tracked through the TracDat data tracking and reporting system for ease of monitoring and performance reporting.

## Academics

The 2017-2018 academic year has been a year of changes at the College. Under new leadership, the academic core has been focused on meeting the strategic priorities established as well as addressing long standing issues with student persistence and completion across the College. This has taken place on several fronts. In October 2017, the College re-apprised their role as a member of the Higher Learning Commission's Persistence and Completion Academy. The team is a representative group that includes several lead faculty members from both locations as well as academic leadership, the interim Director of Institutional Effectiveness and student services representation. This team actively participated in training in Chicago to develop a plan of action that will be put into place over the next several months to address issues with student persistence and completion.

The core objective of the plan is to determine why students are not persisting, at what point in the program they stop out of the program and what can be done to address the issues and retain students through completion. To support this process, the same team of individuals are actively working on similar projects with the Ohio Student Success Leadership Initiative as well.

Currently the next reporting date for both of the groups was February 2018.

**Academics (continued)**

The work of these committees takes into consideration the 2016-2018 Completion Plan as prescribed in ORC Section 3345.81 and leverage the activities that were begun in 2016 as a focus on developing countermeasures to address those loss points, once they have been identified and data collected.

During the Spring of 2016, the Admissions and Advising departments were merged to increase efficiency. In the Spring of 2017, the College has undertaken the development of a "One Stop Shop" approach for student support and engagement. Renovation and restructuring of facilities and personnel will allow for students to manage all aspects of enrollments, testing and registration as well as counseling in on centralized location. It is strongly believed that this change will have a positive impact on student service and support throughout the College.

October 2016, saw the completion a reaffirmation site visit with the Higher Learning Commission (HLC) that resulting in the College obtaining reaccreditation through 2026-2027. During preparation for this site visit, the College participated in an independent third-party audit of policies and procedures for Federal Compliance as well as accreditation related components. It was determined that this was of great benefit to the College and will be continued on a regular and on-going basis as a part of the strategic initiatives of the College to ensure compliance and accuracy in processes and procedures. Additionally, the process allows the College to identify opportunities for improvement and address those opportunities in a quick and reliable manner. A part of the process resulted in required interim reporting to the Higher Learning Commission in order to provide additional information in the following areas: (1) academic program review, (2) Faculty evaluation (including adjunct faculty), and (3) alignment of resources. This report was submitted to HLC on December 11, 2017. June 2018 will require the submission of additional reporting in the following areas: (1) assessment of learning outcomes (including the curriculum mapping of general education outcomes) and (2) operationalization of the strategic plan.

In December 2017, the College saw the beginning of the development of a platform to support teaching effectiveness, assessment, curriculum effectiveness and professional development. The development process for the College Center for Teaching and Learning (CTL) is being structured and will be ready for introduction to faculty in the Spring of 2018. Work will continue to expand offerings and opportunities through this platform for all faculty and staff throughout the College. The online deployment of the CTL will make training available to all faculty and staff 24/7 from any location in a cost-effective manner thereby increasing the quality and effectiveness of teaching and curriculum development. Providing faculty a platform to exchange ideas, methodologies, share lessons and provide each other with a means of support and tech support will be invaluable.

**Enrollment and Retention**

The College is constantly working to increase enrollment while striving to improve the quality of educational and student support services. Since the FY16 audit report, the College has continued to enhance collaboration partnerships through the state approved Student Resource Center for providing online courses/programs to various union organizations across the state of Ohio as well as nationally. Currently, the College is serving approximately 13 different union groups through the collaboration efforts, with additional groups being added yearly. This collaboration is responsible for online enrollment growth for the past two years.

**Enrollment and Retention (continued)**

Between Fall 2015 to Fall 2016, Online students showed a retention rate of 40% (a total of 100). Between Fall 2016 and Fall 2017, Online showed a retention rate of 49.9% (a total of 1815 students). Estimates indicate that enrollments in this area will continue to grow as more partnerships are added. The College's membership in Midwestern SARA (State Authorization Reciprocity Agreement) has allowed for this national growth by allowing the College to enroll and serve students online across the nation. SARA is a national initiative to make the delivery of distance education more accessible to students across state lines. The requirements include consistent processes for tracking online students and providing an array of support services for those students. The benefit is to be able to operate online programs in other states without seeking independent authorization for each individual state, thus supporting educational expansion via distance education delivery.

The College continues to support outreach to special populations through collaborative efforts with high school students, veterans, international students and other diverse student populations. In Spring 2017, the College plans to seek additional avenues for providing support services to diverse student populations in the communities it serves.

In 2017, several new certificate programs were approved and added to meet the needs of the community. The College developed and has launched the following programs: Medical Scribe, Central Services Technician, Machining, and Magnetic Resonance Imaging.

Finally, the College is in the process of mapping the general education outcomes into all of the programs. This is begin mapped into the online tracking and reporting system of TracDat and will allow faculty and administration to run reports and track assessment progress in this area. To date the process is approximately three fourths complete with an anticipated completion date of March 2018.

**Enrollment and Retention (continued)**

Fall 2017 Enrollment

| Enrollment Breakdown | Total | Target | % to Target |
|---|---|---|---|
| Youngstown | 903 | 1,046 | 86% |
| Online | 5,725 | 5,700 | 100% |
| CCP | 963 | 1,400 | 69% |
| Total Enrollment | 8,570 | 9,318 | 92% |

| Enrollment Breakdown | New | Cont | Ret |
|---|---|---|---|
| Steubenville | 249 | 177 | 545 |
| Youngstown | 293 | 197 | 413 |
| Online | 2,548 | 507 | 2670 |
| CCP | 609 | 15 | 339 |
| Total EGCC | 3,706 | 896 | 3,968 |
| **Credit Hours** | **Total** | **Targets** | **% to Target** |
| Steubenville | 9,871 | 11,122 | 89% |
| Youngstown | 8,793 | 9,183 | 96% |
| Online | 37,025 | 42,750 | 87% |
| CCP | 5,139 | 7,350 | 70% |
| Total EGCC | 60,891 | 70,405 | 86% |

| FTE | Total |
|---|---|
| Steubenville | 658.05 |
| Youngstown | 586.21 |
| Online | 2,468.33 |
| CCP | 342.60 |
| Total EGCC | 4,059.40 |

**Enrollment and Retention (continued)**

Retention between Fall 2016 and Fall 2017

| Fall 2016 to Fall 2017 | | | |
|---|---|---|---|
| Retention Fall 2016 to Fall 2017 | | | |
| Enrollment | Retained | Total | Retention % |
| Steubenville Campus | 580 | 1047 | 55.4% |
| Youngstown Campus | 447 | 892 | 50.1% |
| Online | 906 | 1815 | 49.9% |
| CCP | 371 | 843 | 44.0% |
| Total Enrollment | 2309 | 4609 | 50.1% |
| Total w/Out CCP | 1938 | 3765 | 51.5% |
| Retention Population Fall 2016 to Fall 2017 | | | |
| Population | Retained | Total | Retention % |
| Female | 1513 | 2948 | 51.32% |
| Male | 796 | 1660 | 47.95% |
| Total | 2309 | 4608 | 50.11% |
| Retention Fall 2016 to Fall 2017 | | | |
| Group | Retained | Total | Retention % |
| American Indian/Alaska Native | 7 | 16 | 43.75% |
| Asian | 16 | 38 | 42.11% |
| Black or African American | 337 | 743 | 45.36% |
| Native Hawaiian or other Pacific Islander | 7 | 12 | 58.33% |
| Two or more | 85 | 186 | 45.70% |
| Undeclared | 23 | 50 | 46.00% |
| White | 1736 | 3273 | 53.04% |
| Total | 2309 | 4608 | 50.11% |

*Note: Data pulled from Internal enrollment report data. May not match IPEDS numbers due to a difference in student cohorts.*

**CCP- College Credit Plus*

While online is showing significant increase due to the collaboration with the state approved Student Resource Center for providing online courses and programs to union organizations throughout the country, onsite enrollment in Steubenville, Youngstown and with CCP are not growing at the same rate.

As of December 2017 target enrollments for Spring 2018 show as follows:

| Enrollment | Total | Spring Targets | % to Target |
|---|---|---|---|
| Steubenville | 639 | 1,034 | 62% |
| Youngstown | 566 | 1,000 | 57% |
| Online | 4019 | 8,000 | 50% |
| CCP | 630 | 1,600 | 39% |
| Total Enrollment | 5856 | 11,634 | 50% |

**Enrollment and Retention (continued)**

Important goals for the College are to increase enrollment, but more importantly to retain the students we attract. Therefore it is vitally important that the retention rate over time show a vast improvement as well as the completion rate for the College.

**College Relations**

The College looked at the Engagement and Communication component of the 2017 Institutional Capacity Assessment Tool (iCAT). While this component looks specifically at "The creation of strategic partnerships with key external stakeholders, such as K-12, universities, employers and community based organizations and internal stakeholders across the institution to participate in the student success agenda and improvement of student outcomes", there are pieces of this that speak to the communication struggles on an internal basis.

The College also looked at the results for the Policies and Practices modules of the 2017 iCAT. This module looks at the institutional policies and practices that impact student success and the processes for examining and aligning policies and practices to remove barriers and foster student completion. In this section, the College scored a "3" while the national average was a "2.7".

In reviewing the "I Don't Know" responses, it is clear that there is still room for improvement in the communication about policies and processes and how those are evaluated and disseminated. The three that indicated the highest area needing work include:

- effectively involving external stakeholders in implementing and improving student success policies and practices
- effectively involving internal stakeholders in implementing and improving student success policies and practices
- evaluating the effectiveness of policies and practices and revising as appropriate

As a result of this information, the primary objective for Goal 2 of the Strategic Plan focuses on the institutional engagement of the review, analysis and update all policies and procedures by all units across the College.

A second area of review indicated that internally there were concerns related to the College engaging multiple stakeholders in student success work and including external stakeholders in student success efforts.

- While the College makes every effort to ensure that the working committees are a good blend of all stakeholders across the College, there is a distinct lack of communication across the institution about the work that is taking place and what is happening, especially with student learning and student success.
- Additionally, there is limited to no communication or engagement with external stakeholders re: student success. While there may be limited engagement through some of the health programs in the form of clinicals and through program review and advisory boards, these are limited and not very focused. There is also a distinct lack of student involvement in the groups.

Based on these areas of limited understanding, it is noted as an area of weakness and one that should be addressed in the coming months; not only through improved communication efforts but overall working efforts in committee formation and working teams as well.

**College Relations (continued)**

Faculty are more engaged with the College Leadership and taking an active leadership role in academic committees:

- Restructuring of the Academic Program Review Committee makes it a faculty driven committee with faculty leadership in place.
- The President has established regular Town Hall meetings in an effort to improve and make more transparent the communication process and operational processes of the College.
- The President has worked with the Board of trustees to establish four subcommittees that are engaged at least twelve times a year in specific data review and updates, so they have a better understanding of what the College is facing and can therefore make more informed decisions as a Board.
- At least twice a year the President establishes an All College discussion day where data elements from the Strategic Plan KPI's are discussed and reviewed. The Taskforce take at least one of the CCSSSE areas that The College is low scoring in and they work on activities to improve those scores.

**Energy Management**

In 2013, the College began investigation into implementing a campus wide energy efficiency project as required by the Ohio Task Force on Affordability and Efficiency and as detailed in HB 251 and HB 7. The College sought feedback and interviewed other Ohio Community Colleges that have successfully implemented such a performance based program and actual returns experienced. Sinclair Community College was very helpful in providing a template for their process, which the College ultimately duplicated.

The College conducted an RFQ to solicit the assistance of an energy consultant with Ohio HB 7 experience to assist the College in navigating the College through the engineering and bond issuance complexities that accompany a project of this type. By March 2014, with Board of Trustees approval, the contracted with Facilities Management Concepts of Westlake Ohio. After a very competitive RFP process, and analysis of proposals, the College entered into contract with The Efficiency Network (TEN) of Pittsburgh Pennsylvania for $1,759,014 to implement the proposed energy cost saving improvements for a guaranteed annual cost saving of $132,956.

Work was substantially completed in July 2015 and closed out November 2015, which officially started the performance measurement period. In 2017, after a significant period obtaining utility usage data, TEN submitted the required Measurement and Verification Report to confirm the guaranteed cost savings were achieved. The College's consultant, Facilities Management Concepts, conducted an audit to confirm the report complied with the agreement verification process, which was achieved. For performance year 1, the savings achieved in accordance with the Agreement were $143,407. This was $10,451 in excess of the Guaranteed Savings of $132,956.

A five year HVAC service agreement was also solicited within the RFP. TEN's proposal achieved one of the College's primary objectives, to convert the building automation system (BAS) away from the existing proprietary Siemen system, to a non-proprietary BAS system that will enable a competitive bid environment for maintenance.

The TEN proposal included upgrades to BAS controls and provides functionality and access through the non-proprietary Niagara Tridium system. The College currently has a five year maintenance agreement with TEN. After the five year period, the College can solicit new HVAC Maintenance proposals for a significant cost savings.

**Deferred Maintenance**

The College does not currently budget local funds for deferred maintenance or capital projects. All Deferred Maintenance is funded through State of Ohio Capital Appropriations. As part of the 2011-2012 capital appropriations, the College dedicated their entire allocation to Deferred Maintenance for Roof Replacements and Parking Lot Replacement.

In 2014, the College replaced approximately 85% of the aged roof system on the Jefferson Campus. The College contracted with ES Architecture for design and construction administration for $76,000 and Kalkreuth Roofing for $1,117, 853 for construction services.

In 2014, the College replaced the deteriorated asphalt pavement of the Pugleise Center Parking Lot. The College Contracted with Karl Rhorer and Associates for design and construction administration services for $12,995 and Lash Paving for construction services for $137,685.

**Capital Projects – State of Ohio Funding**

In 2016, the College implemented the Main Academic Building Renovation Project. This project included the renovation of the Nursing Laboratory, The Welding Laboratory and the General Science Laboratory. This project was funded with the College's 2013-2014 State of Ohio capital appropriation. The College contracted with Hasenstab Architects$107,187 for design and construction administration services and DeSalvo Construction for $1,114,100 for construction services

In 2018, the College will begin work on the Student Success Center Project. This project will renovate the existing computer wing and relocate departments that are critical for a students' journey through the College, from first time campus tours, financial aid, placement testing, guidance counseling, tutoring and Bookstore. This project will be funded with the College's 2015-2016 State of Ohio capital appropriation and Barnes and Noble capital contribution. The College contracted with BHDP for $130,000 for design and construction administration services and Beaver Constructors for $1,623,100 for construction services. Construction is scheduled for completion August 2018.

**Technology Services**

Technology Services projects for fiscal years 2017 and 2018 are designed to implement improvements for all students and departments to compensate for extreme growth and to meet the objectives of the College's strategic plan.

**Strategic Goal 1:** Eastern Gateway Community College will engage every student and provide the support needed to achieve student success.

In fiscal year 2017 the Technology Services Department supported this effort by:

- Implementing a student portal for ease of access to all student services, along with implementing single sign on for all student services.
- An outsourced technology help desk was launched in 2017, this service assists with student support providing 24/7/365 availability.

**Technology Services (continued)**

**Strategic Goal 1: (continued)**

For fiscal year 2018:

- 50% of the classroom PCs were purchased for the Steubenville Campus to cycle out dated equipment.
- A new LMS (Learning Management System) was deployed, this includes several programs using courseware for consistent delivery of course content. This new LMS replaced 2 antiquated systems. In addition, as part of the affordability and efficiency plan, 85% of all textbooks have been replaced with either eTextbooks or OER materials as part of this initiative.
- Bandwidth was increased from 150mbps to 500mbps at both the Steubenville and Youngstown campus. This was to improve internet performance in the classroom and help support the online student body growth accessing internal services from the college.
- Student account automation will be completed to provide faster deployment of student accounts once the student is enrolled.
- A student resource website will be created to provide online assistance to students and provide and online orientation to all technology services at the college.

**Strategic Goal 2:** Eastern Gateway Community College will operate within a framework of continuous improvement.

In fiscal year 2017 the Technology Services Department supported this effort by:

- An online transcript review system was internally developed and partnered with an outsource provider to more efficiently review and qualify student transfer credits into the college.
- A new college website was created and deployed, replacing a very dated and difficult to navigate site.

For fiscal year 2018:

- Implementing a CRM system to better manage inquiries and allow the Admissions Department a better way to communicate with prospective students. This system will go live for the Spring 2018 start.
- Four new servers and SAN were purchased to upgrade the college's database servers and VMWare services. These will be deployed in early 2018.
- For Academics, we will be launching several internally developed databases to help manage the departments' growth. These systems are: Course load and auxiliary classes, Faculty qualification tracker, New and revised program tracker, and a Syllabi system.
- An Issue Resolution system was created and launched to better manage student, faculty, and staff complaints. Insuring that the complaint gets to the proper department and is answered in a timely manner.
- Two new systems were integrated to our SIS system to provide enhanced services for Financial Aid. A Financial Aid Help Desk outsourced service will assist with incoming calls to the financial aid department, and an online financial aid forms system that will allow student to complete all required financial aid digital forms online.
- An Intranet will be created to replace a very antiquated document retrieval share.
- A new ERP system is being explored to replace several outdated systems and bring new services to the college.

**Technology Services (continued)**

**Strategic Goal 3:** Eastern Gateway Community College will explore and implement strategies to ensure financial stability and vitality into the future.

In fiscal year 2017 and fiscal year 2018 the Technology Services Department supported this effort by:

- Several of the initiatives above are using outsourced services; Transcript evaluation, Technology Services Help Desk, and Financial Aid Help Desk. Being able to leverage outsource services to compensate for production peaks and valleys, we are able to properly allocate resources during high production periods and avoid overstaffing during off peak periods. A savings of $373,000.00 annually in unneeded salaries and overhead.
- Replaced 2 antiquated LMS systems with a new LMS, providing consistency in course delivery and saving $405,000 annually.
- Renegotiated our bandwidth contracts with our ISP vendor to increase the bandwidth at both campuses and reducing our overall cost for the services, saving $6,300.00 annually.
- Renegotiated our cellular contract saving $4,200.00 annually.
- Purchased and deployed a video conferencing system to reduce travel costs between campuses. The cost savings will be seen in FY19.

**Severance**

In fiscal year 2016, the board of trustees offered a voluntary severance package to employees of the College; 23 employees accepted the package as of June 30, 2016. Under the terms of the severance package, eligible employees will receive a base salary amount capped at $65,000 for faculty and administrative staff plus an accrued vacation and/or sick time earned at the College. Eligible sick leave for severance purposes is paid out at one day for every three earned, capped at 65 days; for vacation leave the cap is 60 days. Employees that accepted the severance package could be retained by the College for up to one year following their acceptance in May 2016. Employees that accepted the severance package are eligible to accrue benefits through their exit date. As of June 30, 2016, the College accrued $1,171,482 for the base salary amount of the employees who accepted the voluntary severance package. All benefits owed to these employees under the severance agreement were accrued within the compensated absences on the statement of net position. In fiscal year 2017, the College did not offer a voluntary severance package to employees and made payments of $579,924 on the voluntary severance package offered in fiscal year 2016. The outstanding balance at June 30, 2017 for the voluntary severance package was $591,558.

EASTERN GATEWAY COMMUNITY COLLEGE
Statements of Net Position
June 30, 2017 and 2016

| | College 2017 | College 2016 | Foundation 2017 | Foundation 2016 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 691,915 | 419,977 | 181,303 | 303,433 |
| Short-term investments | 10,000 | 1,631,591 | - | 62,811 |
| Student accounts receivable, net | 12,479,100 | 963,809 | - | - |
| Property tax receivable | 922,702 | 889,441 | - | - |
| Other receivables | 865,875 | 1,220,433 | 34,586 | 480 |
| Prepaid expenses | 399,936 | 573,869 | - | - |
| Inventory | 9,655 | 218,019 | - | - |
| Total current assets | 15,379,183 | 5,917,139 | 215,889 | 366,724 |
| Non-current assets | | | | |
| Restricted cash and cash equivalents | 329,349 | 2,602 | - | - |
| Other receivables | - | - | 24,775 | - |
| Endowment investments | 267,725 | 67,058 | 489,545 | 218,710 |
| Capital assets, net | 14,848,599 | 13,991,944 | - | - |
| Total non-current assets | 15,445,673 | 14,061,604 | 514,320 | 218,710 |
| Total assets | 30,824,856 | 19,978,743 | 730,209 | 585,434 |
| **Deferred Outflow of Resources** | | | | |
| Pensions: | | | | |
| SERS | 1,936,522 | 505,102 | - | - |
| STRS | 2,745,018 | 1,466,564 | - | - |
| Total deferred outflow of resources | 4,681,540 | 1,971,666 | - | - |
| **Liabilities** | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | 866,010 | 614,160 | - | - |
| Accrued wages | 90,636 | 76,629 | - | - |
| Unearned revenue | 9,986,526 | 378,808 | - | - |
| Deposits | - | 8,634 | - | - |
| Compensated absences - current portion | 282,563 | 66,483 | - | - |
| Long-term debt - current portion | 136,390 | 115,541 | - | - |
| Total current liabilities | 11,362,125 | 1,260,255 | - | - |
| Non-current liabilities | | | | |
| Bonds payable | 1,487,076 | 1,605,275 | - | - |
| Loans Payable | 104,422 | - | - | - |
| Net pension liability - SERS | 7,088,607 | 4,936,248 | - | - |
| Net pension liability - STRS | 15,689,494 | 15,986,307 | - | - |
| Compensated absences | 459,788 | 772,520 | - | - |
| Total non-current liabilities | 24,829,387 | 23,300,350 | - | - |
| Total liabilities | 36,191,512 | 24,560,605 | - | - |
| **Deferred Inflows of Resources** | | | | |
| Property taxes | 545,652 | 512,392 | - | - |
| Pensions: | | | | |
| SERS | 181,748 | 453,813 | - | - |
| STRS | 2,500,177 | 1,149,717 | - | - |
| Total deferred inflows of recources | 3,227,577 | 2,115,922 | - | - |
| **Net Position** | | | | |
| Net investments in capital assets | 13,213,661 | 12,276,093 | - | - |
| Restricted for | | | | |
| Non-expendable | | | | |
| Scholarships | 64,555 | 64,120 | 223,530 | 218,710 |
| Expendable | | | | |
| Scholarships | 400,242 | 197,504 | 428,790 | 278,896 |
| Capital | 116,559 | 223,902 | 52,251 | 69,469 |
| Education and General | 357,933 | 37,887 | 7,474 | 15,307 |
| Agency | 3,706 | - | - | - |
| Athletics | - | - | 12,015 | - |
| Unrestricted Fund Balance | (18,069,349) | (17,525,624) | 6,149 | 3,052 |
| Total net position | **(3,912,693)** | **(4,726,118)** | **730,209** | **585,434** |

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

EASTERN GATEWAY COMMUNITY COLLEGE
Statement of Revenues, Expenses and Change in Net Position
For the Twelve Months Ending June 30, 2017

| | College 2017 | College 2016 | Foundation 2017 | Foundation 2016 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Operating revenues | | | | |
| Tuition and student fees, net | 8,607,801 | 4,322,876 | - | - |
| Federal grants and contracts | 3,139,792 | 1,838,331 | - | - |
| Auxiliary enterprises revenue | 123,188 | 168,653 | - | - |
| State grants and contracts | 100,000 | 100,000 | - | - |
| Local grants and contracts | 44,787 | 44,700 | - | - |
| Other operating revenue | 1,376,411 | 106,028 | 4,887 | - |
| Donations | - | - | 308,769 | 155,346 |
| Total operating revenue | 13,391,979 | 6,580,588 | 313,656 | 155,346 |
| **Expenses** | | | | |
| Operating expenses: | | | | |
| Education and general | 5,697,145 | 6,786,025 | 9,847 | 7,741 |
| Public services | 1,249,672 | 326,212 | - | - |
| Academic support | 656,328 | 770,305 | - | - |
| Student services | 3,532,745 | 2,433,675 | - | - |
| Institutional support | 8,609,770 | 4,298,204 | - | - |
| Operation and maintenance of plant | 1,097,759 | 1,017,831 | 39,347 | - |
| Scholarships and fellowships | 7,379,807 | 1,670,828 | 174,737 | 40,052 |
| Auxiliary enterprises | 123,188 | 47,892 | - | - |
| Depreciation expense | 769,128 | 627,701 | - | - |
| Total operating expenses | 29,115,542 | 17,978,673 | 223,931 | 47,793 |
| Operating (loss) income | (15,723,563) | (11,398,085) | 89,725 | 107,553 |
| **Non-operating revenue(expenses)** | | | | |
| Capital funds | 119,302 | 1,638,326 | - | - |
| State grants and contracts | 7,760,903 | 6,523,446 | - | - |
| Federal grants and contracts | 9,096,522 | 4,398,862 | - | - |
| Investment income (loss) | 37,796 | 24,798 | 55,050 | (5,257) |
| Interest expense | (60,662) | (63,280) | - | - |
| Property taxes | 928,750 | 824,101 | - | - |
| Total non- operating revenue (expenses) | 17,882,611 | 13,346,253 | 55,050 | (5,257) |
| Income before partnership loss | 2,159,048 | 1,948,168 | 144,775 | 102,296 |
| Partnership income (loss) | (1,345,623) | (1,323,585) | - | - |
| Change in net position | 813,425 | 624,583 | 144,775 | 102,296 |
| **Net position** | | | | |
| Net Position, begining of the year | (4,726,118) | (5,350,701) | 585,434 | 483,138 |
| Net Position, end of year | **(3,912,693)** | **(4,726,118)** | **730,209** | **585,434** |

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

EASTERN GATEWAY COMMUNITY COLLEGE
Statements of Cash Flows
For the Twelve Months Ending June 30, 2017 and 2016

| | College 2017 | College 2016 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Student tuition and fees | 4,047,740 | 2,589,350 |
| Grants and contracts | 3,284,579 | 1,983,031 |
| Payments to suppliers | (8,115,523) | (4,933,387) |
| Employee and related payments | (15,044,518) | (11,214,342) |
| Auxiliary enterprise | 123,188 | 168,653 |
| Other Income | 109,149 | 182,008 |
| Net cash used by operating activities | (15,595,385) | (11,224,687) |
| **Cash flows from non-capital financiang activities** | | |
| State appropriations | 7,760,903 | 6,487,806 |
| Local property tax receipts | 928,750 | 824,101 |
| Grants and contracts | 9,001,361 | 4,434,502 |
| Non-capital gifts and endowments received | (16,081) | - |
| Payments to partnership | (1,986,541) | (1,241,864) |
| Net cash provided by non-capital financiang activities | 15,688,392 | 10,504,545 |
| **Cash flows from capital and related financing activities** | | |
| Capital grants receivied | 2,200,298 | 1,638,326 |
| Proceeds from capital debt | 122,613 | - |
| Purchases of capital assets | (1,625,783) | (1,429,629) |
| Principle payments on bond payable | (115,541) | (110,920) |
| Interest payments on bond payable | (91,661) | (66,785) |
| Net cash provided by capital and related financiang activities | 489,926 | 30,992 |
| **Cash flows from investing activities** | | |
| Proceeds from sales and maturities | - | - |
| Investment income | 15,752 | 17,244 |
| Purchase of investments and related fees | - | (541) |
| Net cash provided by investing activities | 15,752 | 16,703 |
| **Net (decrease) increase in cash** | 598,685 | (672,447) |
| **Cash, beginning of year** | 422,579 | 1,095,026 |
| **Cash, end of year** | 1,021,264 | 422,579 |
| **Reconciliation of operating (loss) income to net cash used by operating activities:** | | |
| Operating (loss) income | (15,723,563) | (11,398,085) |
| Adjustments to reconcile operating (loss) income to net cash used by operating activities: | | |
| Depreciation | 769,128 | 627,701 |
| Net pension expense | 224,065 | (134,747) |
| Miscellaneous | 115,552 | (81,721) |
| (Increase) decrease in assets: | | |
| Receivables, net | (11,195,412) | 300,316 |
| Inventories | 208,364 | (209,787) |
| Prepaid expense | 173,933 | (55,637) |
| Decrease (increase) in liabilities: | | |
| Accounts payable and accrued liabilities | 296,856 | 103,303 |
| Deferred inflow of resources - property taxes | 33,260 | (329,689) |
| Unearned revenue | 9,607,718 | 112,827 |
| Deposits | (8,634) | (2,407) |
| Compensated absences | (96,652) | (156,761) |
| **Net cash used by operating activites** | (15,595,385) | (11,224,687) |
| **Non-cash capital and related financing activities:** | | |
| Purchases of capital assets included in accounts payable | - | 181,406 |
| Asset acquired through a gift | 16,081 | - |
| Change in fair value of investments | 23,462 | 6,832 |

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

## NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

Eastern Gateway Community College (the "College" or "EGCC") is a political subdivision 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 operates under an appointed Board of Trustees. 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

### Basis of Accounting

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by Governmental Accounting Standards Board (GASB). Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The College reports business-type activities as required by GASB Statement No. 35, *Basic Financial Statements-and Management Discussion and Analysis-for Public Colleges and Universities*. Business-type activities are those activities that are financed in whole, or in part, by fees charged to external parties for goods and services. Pursuant to provisions of GASB Statement No. 35, the full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements. Restricted grant revenue is recognized only to the extent expended.

### Net Position Classifications

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB.

In accordance with GASB Statement No. 35, *Basic Financial Statements-and Management Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38, the College classifies their resources for accounting and reporting purposes into the following net position categories:

*Net investment in capital assets:* This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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

*Restricted net position – non-expendable*: Non-expendable, restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Unrestricted net position*: Unrestricted net position represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the Governing Board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Net Position Classifications (continued)
When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

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

*Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of external scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of discounts and allowances, and (3) most federal, state and local grants and contracts and federal appropriations.

*Non-operating revenues:* Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, such as state appropriations, investment income, and property taxes.

### Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

### Investments
The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position.

### Inventory
Inventory is valued at cost on a first-in, first-out basis.

### Accounts Receivable
Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Ohio. Accounts receivable also include amounts due from the federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. This also includes receivables due from our College partners, Higher Education Partners ("HEP"). Property taxes receivable include estimated amounts due at June 30, 2017 and 2016.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Capital Assets**

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 40 years for buildings and building improvements, 10 years for equipment other than computer equipment, and 3 years for computer equipment.

**Unearned Revenues**

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

**Compensated Absences**

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

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the College will compensate the employees for the benefits.

Sick leave benefits are accrued as a liability using the termination method. The liability includes all employees who are currently eligible to receive termination benefits, based on the employees accumulated sick leave time, up to certain limits established by the College's policy, and the current wage rate.

**Non-current Liabilities**

Non-current liabilities include estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

**Deferred Outflow/Inflow of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflow of resources. Deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resource (expense/expenditure) until then. For the College, deferred outflow of resources include amounts related to pensions, which are explained in Note 9.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflow of resources. Deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflow of resources includes property taxes and pensions. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on the statement of net position. The deferred inflow of resources related to pensions are explained in Note 9.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Pensions**

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

**Income Tax**

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

**Scholarship Discounts and Allowances**

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

**Change in Accounting Principles**

For fiscal year 2016, the College implemented Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application, which addresses accounting and financial reporting issues related to fair value measurements. These changes were incorporated in the College's 2016 financial statements; however, there was no effect on beginning net position.

For fiscal year 2016, the College implemented Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. These changes were incorporated in the College's 2016 financial statements; however, there was no effect on beginning net position.

For the fiscal year ended June 30, 2017, the College has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*; GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*; and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73.*

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. These changes were incorporated in the College's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Change in Accounting Principles (continued)

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the College.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the College.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the College's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

**Newly Issued Accounting Pronouncements, Not Yet Adopted** – In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The objective of this statement was to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. The College has not elected to implement this statement early; however, management will evaluate the impact of this statement in the year of adoption.

### Subsequent Events

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through March 30, 2018 the date the financial statements were available to be issued.

## NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The investment and deposit of College monies is governed by the Ohio Revised Code. In accordance with the Ohio Revised Code, only banks located in Ohio and Ohio domestic building and loan associations are eligible to hold public deposits. Also, the investment of the College's monies is restricted to certificates of deposits, savings accounts, money market accounts, obligations of the United States Government, or certain agencies thereof, and certain industrial revenue bonds issued by other governmental entities. The College may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days.

The College's Board of Trustees is responsible for selecting depositories and investing funds. Protection for the College's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), qualified securities pledged in the name of the College and held at the Federal Reserve, or by a collateral pool created by the financial institution to cover all local governmental deposits. The face value of the pooled collateral must equal to at least 102 percent of the public funds on deposit. At least quarterly, the College determines that the collateral has a market value adequate to cover the deposits. Collateral is held by Trustees, including the Federal Reserve Bank and the Federal Home Loan Bank Board.

**NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)**

The College adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (an amendment of GASB Statement No. 3). Generally, this statement requires that state and local governments communicate key information about such risks in four principal areas: investment credit risks, including credit quality information issued by rating agencies; interest-related disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination.

As of June 30, 2017 the College had the following cash and cash equivalents:

| Description | Carrying Amount | Bank Balance |
|---|---|---|
| Checking and savings account | $ 686,951 | $ 776,925 |
| Restricted cash | 329,349 | 329,349 |
| Huntington Bank Escrow Construction Fund | 79 | 79 |
| Huntington Bank Escrow Expense Fund | 4,885 | 4,885 |
| Total cash and cash equivalents | $ 1,021,264 | $ 1,111,238 |

As of June 30, 2016 the College had the following cash and cash equivalents:

| Description | Carrying Amount | Bank Balance |
|---|---|---|
| Checking and savings account | $ 415,012 | $ 667,889 |
| Restricted cash | 2,602 | 2,602 |
| Huntington Bank Escrow Construction Fund | 79 | 79 |
| Huntington Bank Escrow Expense Fund | 4,885 | 4,885 |
| Total cash and cash equivalents | $ 422,578 | $ 675,455 |

**Credit Risk:** The College does not have any exposure to credit risk.

**Concentration of Credit Risk:** The College does not have any exposure to concentration of credit risk.

**Foreign Currency Risk:** The College does not have any exposure to foreign currency risk.

**Custodial Credit Risk:** Of the June 30, 2017 bank balance of $1,111,238, the Federal Depository Insurance Corporation insured $254,964 and the balance of $856,274 was exposed to custodial credit risk because it was collateralized by U.S. Government Securities not in the College's name. Of the June 30, 2016 bank balance of $675,455, the Federal Depository Insurance Corporation insured $254,964 and the balance of $420,491 was exposed to custodial credit risk because it was collateralized by U.S. Government Securities not in the College's name.

**NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)**

**Investments:** The College categorizes its fair value measurements at fair value 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 market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2017 the College's investments had the following recurring fair value measurements:

| Investment Type | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Negotiable Certificates of Deposit | $ - | $ 10,000 | $ - | $ 10,000 |
| Equities | 197,644 | - | - | 197,644 |
| Fixed income | 70,081 | - | - | 70,081 |
| Total | $ 267,725 | $ 10,000 | $ - | $ 277,725 |

As of June 30, 2016 the College's investments had the following recurring fair value measurements:

| Investment Type | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Negotiable Certificates of Deposit | $ - | $ 1,631,591 | $ - | $ 1,631,591 |
| Equities | 67,058 | - | - | 67,058 |
| Total | $ 67,058 | $ 1,631,591 | $ - | $ 1,698,649 |

Level 1 investing include equity and fixed income mutual funds that are valued using prices quoted in active markets that the custodian and College have the ability to access.

Level 2 investments include negotiable certificates of deposit. These investments are valued by various third party pricing services using matrix pricing techniques.

**NOTE 4 – ACCOUNTS RECEIVABLE**

Receivables at June 30, 2017 and 2016, consisted of accounts (tuition and other fees), notes, interest, levy receivables, receivable due from the College's partner in Youngstown, Higher Education Partners and intergovernmental grants. All receivables, except for those considered doubtful accounts and in collections with the Ohio Attorney General, are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal awards. Student accounts receivable for fiscal year 2017 include unearned revenue of $9,761,132; for fiscal year 2016 student accounts receivable was reported without unearned revenue which was $2,675,558. There was no effect on net position resulting from this change in presentation.

Other receivables consisted of the following:

| | 2017 | 2016 |
|---|---|---|
| Grant receivables | $ 357,932 | $ 564,104 |
| Higher Education Partners (HEP) receivable | 500,000 | 606,470 |
| Third parties | 7,940 | 48,441 |
| Interest receivable | 3 | 1,418 |
| Total other receivables | $ 865,875 | $ 1,220,433 |

## NOTE 5 – CAPITAL ASSETS

Changes in capital assets at June 30, 2017 are composed of the following:

| Description | Balance at July 1, 2016 | Increases | Decreases | Balance at June 30, 2017 |
|---|---|---|---|---|
| Capital assets, non-depreciable: | | | | |
| Land | $ 629,200 | $ 49,944 | $ - | $ 679,144 |
| Construction in progress | 924,745 | - | 924,745 | - |
| Total capital assets, non-depreciable | 1,533,945 | 49,944 | 924,745 | 679,144 |
| Capital assets, depreciable: | | | | |
| Buildings and improvements | 22,381,402 | 1,268,779 | - | 23,650,181 |
| Equipment and furniture | 2,352,049 | 1,231,805 | | 3,583,854 |
| Total depreciable | 24,733,451 | 2,500,584 | | 27,234,035 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 10,413,346 | 502,545 | - | 10,915,891 |
| Equipment and furniture | 1,882,106 | 266,583 | | 2,148,689 |
| Total accumulated depreciation | 12,295,452 | 769,128 | | 13,064,580 |
| Total capital assets, depreciable, net | 12,388,055 | 1,781,400 | - | 14,169,455 |
| Capital assets, net | $ 13,991,944 | $ $1,781,400 | $ $924,745 | $ $14,848,599 |

**NOTE 5 – CAPITAL ASSETS (continued)**

Changes in capital assets at June 30, 2016 are composed of the following:

| Description | Balance at July 1, 2015 | Increases | Decreases | Balance at June 30, 2016 |
|---|---|---|---|---|
| Capital assets, non-depreciable: | | | | |
| Land | $ 629,200 | $ - | $ - | $ 629,200 |
| Construction in progress | 1,635,953 | 924,745 | 1,635,953 | 924,745 |
| Total capital assets, non-depreciable | 2,265,153 | 924,745 | 1,653,953 | 1,533,945 |
| Capital assets, depreciable: | | | | |
| Buildings and improvements | 20,435,971 | 1,945,431 | - | 22,381,402 |
| Equipment and furniture | 2,338,049 | 14,000 | | 2,352,049 |
| Total depreciable | 22,774,020 | 1,959,431 | | 24,733,451 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 9,903,814 | 474,571 | - | 10,413,346 |
| Equipment and furniture | 1,763,937 | 153,130 | | 1,882,106 |
| Total accumulated depreciation | 11,667,751 | 627,701 | | 12,295,452 |
| Total capital assets, depreciable, net | 11,106,269 | 1,281,786 | - | 12,388,055 |
| Capital assets, net | $ 13,371,422 | $ $2,256,475 | $ $1,635,953 | $ $13,991,944 |

**NOTE 6 – STATE SUPPORT**

Eastern Gateway Community College is a state-assisted institution of higher education, which receives a student enrollment-based instructional subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the Ohio Board of Regents, adjusted to state resources available. The College received $6,412,549 of student-based subsidy in fiscal year 2016 and $7,684,894 in fiscal year 2017.

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

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

## NOTE 7 – LOCAL APPROPRIATIONS

The College receives local appropriations in the form of property taxes levied against real, public utility, and tangible (used in business) personal property located in Jefferson County, Ohio. The electors within the county must approve any College property tax. The College collects property taxes for operating and capital purposes from one levy approved by the Jefferson County voters. The levy was passed for a ten-year period. The 1 mill levy was approved on November 3, 2015 and expires with the last collection in calendar year 2026.

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in Jefferson County. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by state law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represent collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and collected in 2017 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received from telephone companies during calendar 2017 were levied after October 1, 2016, on the value as of December 31, 2016. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the College prior to June 30.

Property taxes are levied and assessed on a calendar year basis while the College fiscal year runs from July through June. The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the College. First-half tax collections are received by the College in the second half of the fiscal year. Second-half tax collections occur in the first half of the following fiscal year, and are reflected in property tax receivable. The County Treasurer periodically advances to the College its portion of the taxes collected. The amount available to be advanced can vary based on the date the tax bills are sent. Accrued property taxes receivable includes real property and public utility real property and personal property taxes and outstanding delinquencies which are measureable as of June 30, 2017 and for which there is an enforceable legal claim. The remaining portion of the receivable is offset by a credit to deferred inflow of resources – property taxes.

## NOTE 8 – LONG-TERM LIABILITIES

Changes in the College's long-term liabilities during fiscal year 2017 were as follows:

| | Balance at July 1, 2016 | Additions | Reductions | Balance at June 30, 2017 | Due Within One Year |
|---|---|---|---|---|---|
| **Bonds** | | | | | |
| OAQDA 2014 Series A | $ 900,580 | $ - | $ (115,541) | $ 785,039 | $ 118,199 |
| OAQDA 2014 Series B | 820,236 | - | - | 820,236 | - |
| Total bonds | 1,720,816 | - | (115,541) | 1,605,275 | 118,199 |
| **Equipment Loan** | - | 122,613 | - | 122,613 | 18,191 |
| **Net Pension Liability** | | | | | |
| SERS | 4,936,248 | 2,152,359 | - | 7,088,607 | - |
| STRS | 15,986,307 | - | (296,813) | 15,689,494 | - |
| Total net pension liability | 20,922,555 | 2,152,359 | (296,813) | 22,778,101 | - |
| **Other Long-Term Liabilities** | | | | | |
| Compensated absences | 839,003 | - | (96,652) | 742,351 | 282,563 |
| Total | $ 23,482,374 | $ 2,274,972 | $ (509,006) | $ 25,248,340 | $ 418,953 |

Changes in the College's long-term liabilities during fiscal year 2016 were as follows:

| | Balance at July 1, 2015 | Additions | Reductions | Balance at June 30, 2016 | Due Within One Year |
|---|---|---|---|---|---|
| **Bonds** | | | | | |
| OAQDA 2014 Series A | $ 1,011,500 | $ - | $ (110,920) | $ 900,580 | $ 115,541 |
| OAQDA 2014 Series B | 820,236 | - | - | 820,236 | - |
| Total bonds | 1,831,736 | - | (110,920) | 1,720,816 | 115,541 |
| **Net Pension Liability** | | | | | |
| SERS | 4,709,410 | 226,838 | - | 4,936,248 | - |
| STRS | 14,009,163 | 1,977,144 | - | 15,986,307 | - |
| Total net pension liability | 18,718,573 | 2,203,982 | - | 20,922,555 | - |
| **Other Long-Term Liabilities** | | | | | |
| Compensated absences | 761,620 | 308,441 | (465,203) | 839,003 | 66,483 |
| Total | $ 21,546,074 | $ 2,512,423 | $ (576,123) | $ 23,482,374 | $ 182,024 |

**NOTE 8 – LONG-TERM LIABILITIES (continued)**

***OAQDA 2014 Series A Bonds***

On December 19, 2014, the College issued $1,011,500 of Series A Ohio Air Quality Development Authority ("OAQDA") Bonds for the purpose of assisting the College in financing of the costs of the acquisition, construction and installation of personal property comprising "air quality facilities" to be located on the campus of EGCC. Interest payments, at a fixed rate of 2.30 percent are payable on January 1 and July 1 of each year, until the principal amount is paid. The bonds were issued for a ten-year period with a final maturity date of January 1, 2024. The principal balance of these bonds as of June 30, 2017 is $785,039.

The mandatory principal payment is to occur on July 1 and January 1 in each of the years and amounts shown below.

| Due Date | Principal | Interest | Total Debt Service |
|---|---|---|---|
| July 1, 2015 | | $ 12,543 | $ 12,543 |
| January 1, 2016 | $ 110,920 | 11,693 | 122,613 |
| July 1, 2016 | | 10,411 | 10,411 |
| January 1, 2017 | 115,541 | 10,411 | 125,952 |
| July 1, 2017 | | 9,075 | 9,075 |
| January 1, 2018 | 118,199 | 9,075 | 127,274 |
| July 1, 2018 | | 7,709 | 7,709 |
| January 1, 2019 | 120,919 | 7,709 | 128,628 |
| July 1, 2019 | | 6,311 | 6,311 |
| January 1, 2020 | 123,701 | 6,311 | 130,012 |
| July 1, 2020 | | 4,881 | 4,881 |
| January 1, 2021 | 126,548 | 4,881 | 131,429 |
| July 1, 2021 | | 3,418 | 3,418 |
| January 1, 2022 | 129,460 | 3,418 | 132,878 |
| July 1, 2022 | | 1,921 | 1,921 |
| January 1, 2023 | 132,438 | 1,922 | 134,360 |
| July 1, 2023 | | 391 | 391 |
| January 1, 2024 | 33,774 | 391 | 34,165 |
| **Total** | **$ 1,011,500** | **$ 112,471** | **$ 1,123,971** |

***OAQDA 2014 Series B Bonds***

On December 19, 2014, the College issued $820,236 of Series B Ohio Air Quality Development Authority ("OAQDA") Bonds for the purpose of assisting the College in financing of the costs of the acquisition, construction and installation of personal property comprising "air quality facilities" to be located on the campus of EGCC. Interest payments, at a fixed rate of 5.02 percent are payable on January 1 and July 1 of each year, until the principal amount is paid. The bonds were issued for a fifteen-year period with a final maturity date of January 1, 2029. The principal balance of these bonds as of June 30, 2017 is $820,236.

## NOTE 8 – LONG-TERM LIABILITIES (continued)

The bonds are subject to mandatory sinking fund payments pursuant to the terms of the bond legislation. The mandatory payment is to occur on July 1 and January 1 in each of the years and amounts shown below.

| Due Date | Principal | Interest | Total Debt Service |
|---|---|---|---|
| July 1, 2015 | | $ 21,960 | $ 21,960 |
| January 1, 2016 | | 20,588 | 20,588 |
| July 1, 2016 | | 20,588 | 20,588 |
| January 1, 2017 | | 20,588 | 20,588 |
| July 1, 2017 | | 20,588 | 20,588 |
| January 1, 2018 | | 20,588 | 20,588 |
| July 1, 2018 | | 20,588 | 20,588 |
| January 1, 2019 | | 20,588 | 20,588 |
| July 1, 2019 | | 20,588 | 20,588 |
| January 1, 2020 | | 20,588 | 20,588 |
| July 1, 2020 | | 20,588 | 20,588 |
| January 1, 2021 | | 20,588 | 20,588 |
| July 1, 2021 | | 20,588 | 20,588 |
| January 1, 2022 | | 20,588 | 20,588 |
| July 1, 2022 | | 20,588 | 20,588 |
| January 1, 2023 | | 20,588 | 20,588 |
| July 1, 2023 | | 20,588 | 20,588 |
| January 1, 2024 | $ 101,712 | 20,588 | 122,300 |
| July 1, 2024 | | 18,035 | 18,035 |
| January 1, 2025 | 138,236 | 18,035 | 156,271 |
| July 1, 2025 | | 14,565 | 14,565 |
| January 1, 2026 | 140,918 | 14,565 | 155,483 |
| July 1, 2026 | | 11,028 | 11,028 |
| January 1, 2027 | 143,652 | 11,028 | 154,680 |
| July 1, 2027 | | 7,423 | 7,423 |
| January 1, 2028 | 146,439 | 7,423 | 153,862 |
| July 1, 2028 | | 3,747 | 3,747 |
| January 1, 2029 | 149,279 | 3,746 | 153,025 |
| **Total** | **$ 820,236** | **$ 481,551** | **$ 1,301,787** |

**NOTE 8 – LONG-TERM LIABILITIES (continued)**

The total principal balance of these bonds as of June 30, 2017 is $1,605,275. Principal and interest requirements to retire the OAQDA bonds are as follows:

| Fiscal Year | Principal | Interest | Total Debt Service |
|---|---|---|---|
| 2016 | $ 110,920 | $ 66,784 | $ 177,704 |
| 2017 | 115,541 | 61,998 | 177,539 |
| 2018 | 118,199 | 59,326 | 177,525 |
| 2019 | 120,919 | 56,594 | 177,513 |
| 2020 | 123,701 | 53,798 | 177,499 |
| 2021-2025 | 662,168 | 221,997 | 884,165 |
| 2026-2030 | 580,288 | 73,525 | 653,813 |
| **Total** | **$ 1,831,736** | **$ 594,022** | **$ 2,425,758** |

As of June 30, 2017 and 2016, the College has $4,965 of unspent bond proceeds.

Principal and interest requirements to retire the equipment loan as follows:

| Fiscal Year | Principal | Interest | Total Debt Service |
|---|---|---|---|
| 2018 | $ 18,191 | $ 8,596 | $ 26,787 |
| 2019 | 18,046 | 6,680 | 24,726 |
| 2020 | 19,339 | 5,387 | 24,726 |
| 2021 | 20,725 | 4,001 | 24,726 |
| 2022 | 22,210 | 2,516 | 24,726 |
| 2023 | 24,102 | 912 | 25,014 |
| **Total** | **$ 122,613** | **$ 28,092** | **$ 150,705** |

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability** – The net pension liability reported on the statements 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 both the accrual and modified accrual bases of accounting.

***A. Plan Description – School Employees Retirement System (SERS)***

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

## NOTE 9 – DEFINED BENEFIT PENSION PLANS

### *A. 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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The College's contributions to SERS for fiscal years 2017, 2016, and 2015 were $375,984, $425,619, and $361,540, respectively, equal to the contractually required contributions for each year.

### *B. 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.

## NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

### *B. Plan Description – State Teachers Retirement System (STRS) (continued)*

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.5 percent of the 13 percent member rate goes to the DC Plan and the remaining 1.5 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity 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 plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 and 2017 contribution rates were equal to the statutory maximum rates.

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)**

***B. Plan Description - State Teachers Retirement System (STRS) (continued)***

The College's contributions to STRS for fiscal years 2017, 2016, and 2015 were $772,938, $690,458, and $849,014, respectively, equal to the contractually required contributions for each year.

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

The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense at June 30, 2017 and 2016:

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of Net Pension Liability Current Measurement Date | 0.0968511% | 0.04687207% | |
| Proportion of Net Pension Liability Prior Measurement Date | 0.0865083% | 0.05784370% | |
| Change in Proportionate Share | 0.0103428% | -0.01097163% | |
| Proportionate Share of the Net Pension Liability, at June 30, 2017 | $ 7,088,607 | $ 15,689,495 | $ 22,778,102 |
| Proportionate Share of the Net Pension Liability, at June 30, 2016 | $ 4,936,248 | $ 15,986,307 | $ 20,922,555 |
| Pension Expense, for the year ended June 30, 2017 | $ 824,859 | $ 548,131 | $ 1,372,990 |
| Pension Expense, for the year ended June 30, 2016 | $ 238,440 | $ 742,890 | $ 981,330 |

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the College's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five-year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)**

***C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** (continued)

At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between expected and actual experience | $ 95,609 | $ 633,931 | $ 729,540 |
| Net difference between projected and actual earnings on pension plan investments | 568,930 | 1,302,650 | 1,871,580 |
| Changes in assumptions | 473,203 | - | 473,203 |
| Changes in proportionate share and difference between College contributions and proportionate share of contributions | 422,795 | 35,499 | 458,294 |
| College contributions subsequent to the measurement date | 375,984 | 772,938 | 1,148,922 |
| Total Deferred Outflows of Resources | $ 1,936,522 | $ 2,745,018 | $ 4,681,540 |
| **Deferred Inflows of Resources** | | | |
| Changes in proportionate share and difference between College contributions and proportionate share of contributions | $ 181,748 | $ 2,500,177 | 2,681,925 |
| Total Deferred Inflows of Resources | $ 181,748 | $ 2,500,177 | $ 2,681,925 |

At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between expected and actual experience | $ 79,483 | $ 728,773 | $ 808,256 |
| Changes in proportionate share and difference between College contributions and proportionate share of contributions | - | 47,333 | 47,333 |
| College contributions subsequent to the measurement date | 425,619 | 690,458 | 1,116,077 |
| Total Deferred Outflows of Resources | $ 505,102 | $ 1,466,564 | $ 1,971,666 |
| **Deferred Inflows of Resources** | | | |
| Net difference between projected and actual earnings on pension plan investments | $ 163,554 | $ 1,149,717 | $ 1,313,271 |
| Changes in proportionate share | 290,259 | - | 290,259 |
| Total Deferred Inflows of Resources | $ 453,813 | $ 1,149,717 | $ 1,603,530 |

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)**

***C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** (continued)

$1,148,922 reported as deferred outflows of resources at June 30, 2017 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2017 | $351,359 | ($306,591) | $44,768 |
| 2018 | 350 938 | (306,591) | 44,347 |
| 2019 | 676 493 | 193,274 | 869,767 |
| 2020 | - | (108,189) | (108,189) |
| Total | 1,378,790 | $ (528,097) | $850,693 |

***D. 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.

## NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

### *D. Actuarial Assumptions – SERS (continued)*

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

| | |
|---|---|
| Wage Inflation | 3.00 percent |
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent, including inflation |
| Investment Rate of Return | 7.50 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

| | |
|---|---|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 4.00 percent to 22 percent, including inflation |
| COLA or Ad Hoc COLA | 3 percent |
| Investment Rate of Return | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. 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 disable 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 actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

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

## NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

### *D. Actuarial Assumptions – SERS (continued)*

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| | | |
|---|---|---|
| Cash | 1.00 % | 0.00 % |
| 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 | 100.00 % | |

***Discount Rate:*** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

***Sensitivity of the 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.

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $9,384,874 | $ 7,088,607 | $5,166,536 |

***Changes Between Measurement Date and Report Date:*** In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.50 percent. Although the exact amount of these changes is not known, the impact to the College's net pension liability is expected to be significant.

## NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

### *E. Actuarial Assumptions – STRS*

The total pension liability in the June 30, 2016 and 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.75 percent |
| Projected salary increases | 2.75 percent at age 70 to 12.25 percent at age 20 |
| Investment Rate of Return | 7.75 percent, net of investment expenses |
| Cost-of-Living Adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date. |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016 and 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

| | | |
|---|---|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | 1.00 | 3.00 |
| Total | 100.00 % | 7.61% |

***Discount Rate:*** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

## NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

### *E. Actuarial Assumptions – STRS (continued)*

Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

***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 7.75 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $20,850,064 | $15,689,495 | $11,336,251 |

***Changes Between Measurement Date and Report Date:*** In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the College's NPL is expected to be significant.

## NOTE 10 – POST-EMPLOYMENT BENEFITS

### *School Employee Retirement System*

Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Ohio Revised code provides statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

## NOTE 10 – POST-EMPLOYMENT BENEFITS (continued)

***School Employee Retirement System (continued)***

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2017, the health care allocation is 0 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service was earned. By statute 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 state-wide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at $23,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the total amount assigned to the Health Care Fund. The College's contributions assigned to health care for the years ended June 30, 2017, 2016 and 2015 were $-0-, $-0- and $16,847, respectively.

The SERS Retirement Board establishes the rules for 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.

***State Teachers Retirement System***

Plan Description – The College participates in the cost-sharing, multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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, physician's fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS, which can be obtained by visiting www.strsoh.org, or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions.

Of the 14% employer contribution rate, 0% of covered payroll was allocated to post-employment health care for the years ended June 30, 2017, 2016 and 2015. The 14% employer contribution rate is the maximum rate established under Ohio law.

## NOTE 11 – RISK MANAGEMENT

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the College has not significantly reduced coverages in the past year.

The College pays the State Worker's Compensation System a premium based on a rate per $100 of salaries. The rate is calculated based on accident history and administrative costs.

## NOTE 11 – RISK MANAGEMENT (continued)

The College does not provide vision or dental insurance. However, each employee is granted an amount of $2,500, in a Health Savings Account, to use for reimbursement of expenses for non-covered medical payments, co-payments, etc. If a full-time employee waives medical coverage, the College will pay a cash reward of $5,000 per taxable year to waive medical coverage.

**Rates – July 1, 2016 to June 30, 2017**

| | PPO |
|---|---|
| Single Coverage | $ 466.87 |
| Employee/Spouse | 1,016.16 |
| Employee/Child | 788.07 |
| Family Coverage | 1,441.23 |

The College is exposed to various risks of loss related to torts, theft of, damage to, destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year 2017, the College contracted with insurance companies for coverage of buildings and contents.

**NOTE 11 – RISK MANAGEMENT (continued)**

The following is a list of insurance coverages for the College and the deductibles associated with each:

| Coverage | Amount | Deductible |
|---|---|---|
| Commercial Property | | |
| Commercial Property and Building (blanket) | $ 34,614,900 | $ 5,000 |
| Earthquake | 6,000,000 | 100,000 |
| Business Income | 1,000,000 | - |
| Commercial General Liability | | |
| General Liability (per occurrence) | 1,000,000 | - |
| Employee Liability | 1,000,000 | - |
| Employee Benefit Liability (aggregate) | 3,000,000 | - |
| Directors and Officers Liability | 1,000,000 | - |
| General Aggregate | 3,000,000 | - |
| Damage to Property Rented by College | 300,000 | - |
| Commercial Crime | | |
| Employee Dishonesty | 250,000 | 2,500 |
| Forgery | 250,000 | - |
| Premises (theft, disappearance, destruction) | 40,000 | - |
| Commercial Inland Marine | | |
| Accounts Receivable | 100,000 | 500 |
| Valuable Papers | 100,000 | 500 |
| EDP | 1,054,100 | 5,800 |
| Commercial Umbrella | 5,000,000 | - |
| Automobile Liability | 1,000,000 | - |
| Technology-Related Coverage | | |
| Privacy Liability | 1,000,000 | 25,000 |
| Data Branch Fund | 250,000 | 25,000 |
| Network Security Liability | 1,000,000 | 25,000 |
| Internet Media Liability | 1,000,000 | 25,000 |
| Network Extortion | 1,000,000 | 25,000 |
| Regulatory Proceeding | 250,000 | 25,000 |
| Maximum Policy Aggregate | 1,000,000 | - |

## NOTE 12 – COMMITMENTS AND CONTINGENCIES

**Litigations**

Through the normal course of operations, the College is occasionally named as a defendant in legal actions and claims. In the opinion of management and legal counsel, any liability which may ultimately be incurred will not have a material adverse effect on the financial condition of the College. The College purchases commercial insurance to cover general liability losses.

**Grants**

The College received financial assistance from the Department of Labor and other federal agencies in the form of grants. The disbursements of funds received under these programs generally require 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 College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College.

**Collaboration Agreement with Higher Education Partners**

The College entered into a Collaboration Agreement (the "Agreement") with Higher Education Partners, LLC ("HEP") on May 1, 2012, with an initial term of 20 years. HEP financially assisted the expansion of the College's academic and degree program offerings to the Valley Center campus in Youngstown, Ohio (the "Facility"). HEP is responsible for, without reimbursement from the College, the costs and expenses related to any construction, renovation, equipment, and repairs required to be made to the Facility in order for the Facility to be used for its intended educational purposes.

The Agreement requires the College to pay HEP a 15 percent service fee (of net tuition and subsidy revenues) and reimburse HEP for direct expenses, including rental payments for the lease of the Facility, in any year that the net operating revenues generated at the Facility exceed the related direct expenses. When direct expenses at the Facility exceed the net operating revenues at the Facility, HEP is required to reimburse the College for an amount equal to the net operating loss, plus five percent of the operating expenses. The accumulated loss reimbursements, along with direct expenses of HEP and service fees not paid to HEP will be carried forward and paid back to HEP only if future net income is generated from the Facility, and such future payments will be limited to the actual net operating income.

At June 30, 2016, $606,470 was included in other receivables for cumulative payments made in excess of actual net operating income and outstanding amounts due for equipment purchases of $263,361 and $337,215, respectively. The College also made prepayments of $182,541 in fiscal year 2016 and $125,000 in fiscal year 2017 to HEP to pay approximately one month of estimated net operating income. In fiscal year 2017, the $606,470 receivable was written-off. For fiscal years 2017 and 2016, the College's net income after payment of Collaboration expenses was $150,532 and $146,267, respectively.

## NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

### Collaboration Agreement with Student Resource Center (SRC) (continued)

On June 30, 2017, the College entered into a collaboration agreement with Student Resource Center, LLC located in Cranston, Rhode Island. The purpose and goals of the collaboration are to design and implement online course offerings which will include but not be limited to the following:

- Assisting in the development and marketing of high quality online courses and programs to members of state and national unions along with necessary services in support of student success inclusive of addressing the developmental needs of some students;
- Accelerating the growth of the College's online offerings through strategies specific to attracting adult learners interested in online learning options;
- Identifying additional offerings not currently available through the College that address unmet needs within available markets;
- Providing professional development opportunities for full-time and adjunct faculty related to online teaching, learning and student success; and
- Providing support of all ancillary efforts around making online products available including assistance with faculty development, marketing, recruiting, enrollment and academic support, e.g., mentoring and online tutoring.

As part of this initiative, the Collaboration has partnered with Barnes and Noble Education Division (BNED) to supply the online courseware. The goal of the College is to establish a free college benefit for union members but eligibility for the benefit requires the student to apply for federal financial aid (Pell Grant) and to remit any available tuition reimbursements.

The College has established a separate restricted fund to account for all collaboration revenues and expenses under the control of the Chief Financial Officer. In addition to federal Pell grants and tuition reimbursement, revenues include applicable state subsidy. Expenses include SRC operating costs, College instructional costs and applicable College operating costs. SRC will be reimbursed monthly from operating revenues for its operating expenses only after the College has recovered its costs and content costs have been paid to BNED. At the end of the year, any net operating income will be divided equally between the College and SRC.

## NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT

### 1. DESCRIPTION OF ORGANIZATION

Eastern Gateway Community College Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt organization supporting Eastern Gateway Community College. The Foundation is exempt from income taxes under Section 501(c)(3) as a non-governmental, not-for-profit entity of the Internal Revenue Code. The Foundation was established to foster excellence in teaching and learning by encouraging philanthropic support for students, faculty, programs, and facilities for the College. Because the majority of the distribution of the resources held by the Foundation is received by the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

**NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting and Financial Statement Presentation**
The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Furthermore, the accounting policies adhered to by the Foundation are generally consistent with the *Audit and Accounting Guide for Not-For-Profit Organizations* issued by the American Institute of Certified Public Accountants.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ASC 958-205, *Financial Statements of Not-For-Profit Organizations*. Under those standards, the Foundation is required to report information regarding its financial position and activities according to three classes of net position:

*Unrestricted* – Net position is not subject to donor-imposed stipulations. This category includes net position designated by the Board.

*Temporarily restricted* – Net position is subject to donor imposed stipulations that may, or will be met by actions of the Board/College and/or the passage of time.

*Permanently restricted* – Net position is subject to donor-imposed stipulations that they be maintained permanently by the College.

With the exceptions of the necessary presentation adjustments to conform to the College's GASB reporting format, no modifications have been made to the Foundation's financial information in the College's report.

**Use of Estimates**
The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**
Cash and cash equivalents include cash in checking accounts and short-term investments with an original maturity of three months or less. Substantially all of the Foundation's cash and cash equivalents are composed of investments in money market funds. At times, cash on hand may exceed federally insured limits.

**Investments**
Investments of the unrestricted, temporarily restricted, and permanently restricted funds are pooled for making investment transactions and are carried at fair value with any realized or unrealized gains and losses reported in the statement of revenues, expenses and changes in net position.

**Donations**
Donations are recorded as revenue when received or by pledge when an unconditional pledge is made. All donations are considered to be available for unrestricted use unless specifically restricted by the donor. Noncash donations, if any, would be recorded at the fair value of the asset at the date of donations.

**NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT (continued)**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Subsequent Events**
The Foundation has evaluated subsequent events through March 30, 2018 which is the date the financial statements were available to be issued and has determined that no reporting is necessary.

## 3. INVESTMENTS

Investments consisted of the following:

| | 2017 | 2016 |
|---|---|---|
| Equity mutual fund | $ 317,074 | $ 175,181 |
| Fixed income | 152,630 | 92,778 |
| Real estate investment trust | 1,611 | 1,611 |
| Other | 18,230 | 11,951 |
| | $ 489,545 | $ 281,521 |

## 4. FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments – The Foundation adopted applicable sections of the Financial Accounting Standards Board Accounting Standards Codification (ASC) 820: Fair Value Measurements and Disclosures for financial assets and financial liabilities. In accordance with ASC 820, fair value is defined as the price the Foundation would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs may be used in determining the value of the Foundation's investments. The inputs are summarized in the three broad levels below:

Level 1 – quoted prices in active markets for identical investments

Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of the investments)

The input or methodology used for valuing securities is not necessarily an indication of the risk associated with maintaining those investments.

**NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT (continued)**

**4. FAIR VALUE MEASUREMENTS (continued)**

The following is a summary of the inputs used as of June 30, 2017, in valuing the Foundation's investments carried at fair value:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Equity mutual funds | $ 317,074 | $ - | $ - | $ 317,074 |
| Fixed income | - | 152,630 | - | 152,630 |
| Real Estate Investment Trust | 1,611 | - | - | 1,611 |
| Other | 18,230 | - | - | 18,230 |
| | $ 336,915 | $ 152,630 | $ - | $ 489,545 |

As of June 30, 2016:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Equity mutual funds | $ 175,181 | $ - | $ - | $ 175,181 |
| Fixed income | - | 92,778 | - | 92,778 |
| Real Estate Investment Trust | 1,611 | - | - | 1,611 |
| Other | 11,951 | - | - | 11,951 |
| | $ 188,743 | $ 92,778 | $ - | $ 281,521 |

The Foundation's fixed income bonds are valued based on bid-side quotations from dealers, or if a bond has not traded recently, it is valued using a "matrix-based" pricing model. The pricing model analyzes bonds with similar attributes from the same issuer or other issuers.

**5. ENDOWMENT FUND**

**Net Position Classification of Endowment Funds**

As required by accounting principles generally accepted in the United States of America, net position associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Distributions from the endowment funds are spent in compliance with the donor's restrictions applicable to the funds being distributed. The Foundation classifies as permanently restricted net position (a) the original value of the 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 position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence by the Uniform Prudent Management of Institutional Funds Act (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 purpose of the Foundation and the donor-restricted endowment fund

**NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT (continued)**

**5. ENDOWMENT FUND (continued)**

**Net Position Classification of Endowment Funds (continued)**

(3) General economic conditions
(4) The expected total return from income and the appreciation of investments
(5) The investment policies of the Foundation

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 Organization to retain as a fund of perpetual duration. When donor endowment deficits exist, they are classified as a reduction of unrestricted net position. There were no deficits of this nature during fiscal year 2017 and 2016.

The Foundation's endowment fund activity was as follows for the year ended June 30, 2017 and 2016:

| | Permanently Restricted | Temporarily Restricted | Unrestricted | Total |
|---|---|---|---|---|
| Endowment net position, beginning of 2016 | $ 228,326 | $ - | $ - | $ 228,326 |
| Investment return: | | | | |
| Interest and dividends | - | 2,579 | 366 | 2,945 |
| Net realized and unrealized gain | - | (5,746) | (816) | (6,562) |
| Total investment returns | | (3,167) | (450) | (3,617) |
| Cash contributions | 15,625 | - | - | 15,625 |
| Appropriation of endowment assets for expenditure | - | (1,300) | - | (1,300) |
| Reclassifications and transfer out | (25,241) | 25,005 | (4,846) | (5,082) |
| Endowment net position, end of 2016 | $ 218,710 | $ 20,538 | $ (5,296) | $ 233,952 |
| Investment return: | | | | |
| Interest and dividends | - | 3,091 | 229 | 3,320 |
| Net realized and unrealized gain | - | 18,175 | 1,352 | 19,527 |
| Total investment returns | - | 21,266 | 1,581 | 22,847 |
| Cash contributions | 19,470 | - | - | 19,470 |
| Appropriation of endowment assets for expenditure | - | (1,900) | - | (1,900) |
| Reclassifications and transfer out | (14,650) | 7,366 | 737 | (6,547) |
| Endowment net position, end of 2017 | $ 223,530 | $ 47,270 | $ (2,978) | $ 267,822 |

**NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT (continued)**

**5. ENDOWMENT FUND (continued)**

**Return Objectives and Risk Parameters**
The Foundation has adopted investment policies for the Endowment Fund with the understanding that those assets will be prudently invested to provide a continuing source of funding for the College and its programs. Assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the Investment Committee of the Board should direct the Fund's investment managers to achieve the maximum possible long-term total return on the Endowment Fund while maintaining prudent investment management principles and the basic tenants of preservation of capital. The Foundation conducts a quarterly monitoring of the portfolio.

Investment performance is measured against a custom benchmark consisting of the current inflation rate plus 3%.

**Strategies Employed for Achieving Objectives**
To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy**
Currently, the Board of Trustees of the Foundation is in the process of adopting a spending policy for endowment funds.

**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are those whose use by the Foundation has been limited by the donors to a specific time period or purpose. Temporarily restricted net assets are available for providing scholarships to the College's students, capital assets, and educational and general purposes. Temporarily restricted net assets available for scholarships, capital, educational and general purposes and athletics totaled $428,790, $52,251, $7,474 and $12,015 at June 30, 2017, respectively. $161,269 of temporarily restricted net assets for scholarships and $1,900 of temporarily restricted net assets for educational and general purposes was appropriated for expenditure during the fiscal year 2017. Temporarily restricted net assets available for scholarships, capital and educational and general purposes totaled $278,896, $69,469 and $15,307 at June 30, 2016, respectively. $23,583 of temporarily restricted net assets for scholarships and $10,067 of temporarily restricted net assets for educational and general purposes was appropriated for expenditure during the fiscal year 2016.

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**EASTERN GATEWAY COMMUNITY COLLEGE**
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
For the Last 10 Fiscal Years

## School Employees Retirement System of Ohio

| | 2017 |
|---|---|
| College's Proportion of the Net Pension Liability | 0.096851% |
| College's Proportionate Share of the Net Pension Liability | $ 7,088,607 |
| College's Covered-Employee Payroll | $ 3,040,136 |
| College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 233.17% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 62.98% |

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| College's Proportion of the Net Pension Liability | 0.086508% | 0.093054% | 0.093054% |
| College's Proportionate Share of the Net Pension Liability | $ 4,936,248 | $ 4,709,410 | $ 5,533,622 |
| College's Covered-Employee Payroll | $ 2,743,096 | $ 2,907,686 | $ 2,850,600 |
| College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 179.95% | 161.96% | 194.12% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 69.16% | 71.70% | 65.52% |

(1)Information prior to 2014 is not available.

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

**Notes to Required Supplementary Information: School Employees Retirement System (SERS)**

*Changes of Benefit Terms:* None.

*Changes of Assumptions:* Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table.

The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

**EASTERN GATEWAY COMMUNITY COLLEGE**
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
For the Last 10 Fiscal Years

## State Teachers Retirement System of Ohio

| | 2017 |
|---|---|
| College's Proportion of the Net Pension Liability | 0.046872% |
| College's Proportionate Share of the Net Pension Liability | $ 15,689,495 |
| College's Covered-Employee Payroll | $ 4,931,843 |
| College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 318.13% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 66.80% |

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| College's Proportion of the Net Pension Liability | 0.057844% | 0.057595% | 0.057595% |
| College's Proportionate Share of the Net Pension Liability | $ 15,986,307 | $ 14,009,163 | $ 16,687,623 |
| College's Covered-Employee Payroll | $ 6,064,386 | $ 5,781,557 | $ 5,954,508 |
| College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 263.61% | 242.31% | 280.25% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 72.10% | 74.70% | 69.30% |

(1)Information prior to 2014 is not available.

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

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**EASTERN GATEWAY COMMUNITY COLLEGE**
Required Supplementary Information
Schedule of the College's Contributions
School Employees Retirement System of Ohio
For the Last 10 Fiscal Years

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Contractually-required contribution | $ 375,984 | $ 425,619 | $ 361,540 | $ 403,005 | $ 394,523 |
| Contributions in relation to the contractually-required contribution | (375,984) | (425,619) | (361,540) | (403,005) | (394,523) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| College covered-employee payroll | $ 2,685,600 | $ 3,040,136 | $ 2,743,096 | $ 2,907,686 | $ 2,850,600 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 14.00% | 13.18% | 13.86% | 13.84% |

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Contractually-required contribution | $ 398,133 | $ 393,269 | $ 358,651 | $ 339,141 | $ 323,764 |
| Contributions in relation to the contractually-required contribution | (398,133) | (393,269) | (358,651) | (339,141) | (323,764) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| College covered-employee payroll | $ 2,960,097 | $ 3,128,632 | $ 2,648,826 | $ 3,446,555 | $ 3,296,986 |
| Contributions as a percentage of covered-employee payroll | 13.45% | 12.57% | 13.54% | 9.84% | 9.82% |

**EASTERN GATEWAY COMMUNITY COLLEGE**
Required Supplementary Information
Schedule of the College's Contributions
State Teachers Retirement System of Ohio
For the Last 10 Fiscal Years

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Contractually-required contribution | $ 772,938 | $ 690,458 | $ 849,014 | $ 751,602 | $ 774,086 |
| Contributions in relation to the contractually-required contribution | (772,938) | (690,458) | (849,014) | (751,602) | (774,086) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| College covered-employee payroll | $ 5,520,986 | $ 4,931,843 | $ 6,064,386 | $ 5,781,557 | $ 5,954,508 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 14.00% | 14.00% | 13.00% | 13.00% |

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Contractually-required contribution | $ 705,411 | $ 614,470 | $ 551,786 | $ 509,171 | $ 491,823 |
| Contributions in relation to the contractually-required contribution | (705,441) | (614,470) | (551,786) | (509,171) | (491,823) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| College covered-employee payroll | $ 5,426,469 | $ 4,726,692 | $ 4,244,508 | $ 3,916,700 | $ 3,783,254 |
| Contributions as a percentage of covered-employee payroll | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

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# Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Eastern Gateway Community College
Steubenville, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of Eastern Gateway Community College (the "College"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 30, 2018.

**Internal Control over Financial Reporting**

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

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

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

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Board of Trustees
Eastern Gateway Community College

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Ciuni + Panichi, Inc.

Cleveland, Ohio
March 30, 2018

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# Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Trustees
Eastern Gateway Community College
Steubenville, Ohio

## Report on Compliance for Each Major Federal Program

We have audited Eastern Gateway Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the College's major federal programs for the year ended June 30, 2017. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

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

### *Auditor's Responsibility*

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

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the College's compliance.

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***Basis for Qualified Opinion on Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grant***

As described in the accompanying schedule of findings and questioned costs, the College did not comply with requirements regarding CFDA 17.282 TAACCCT Grant as described in finding numbers 2017-001 for Allowable Costs, Activities Allowed and Unallowed, and Level of Effort and 2017-002 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to that program.

***Qualified Opinion on TAACCCT Grant***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TAACCCT Grant for the year ended June 30, 2017.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

***Other Matters***

The College's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on these responses.

**Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

Board of Trustees
Eastern Gateway Community College

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 to be material weaknesses.

The College's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

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

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of the College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated March 30, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Ciuni + Panichi, Inc.

Cleveland, Ohio
March 30, 2018

**Eastern Gateway Community College**

**Schedule of Expenditures of Federal Awards**

**For the Fiscal Year Ended June 30, 2017**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through / Entity Identifying Number | Expenditures |
|---|---|---|---|
| **U.S. Department of Education** | | | |
| Student Financial Aid Cluster: | | | |
| Federal Work-Study Program | 84.033 | | $ 109,066 |
| Federal Supplemental Educational Opportunity Grants | 84.007 | | 117,160 |
| Federal Pell Grant Program | 84.063 | | 6,417,296 |
| Federal Direct Student Loans | 84.268 | | 2,561,719 |
| Total Student Financial Assistance Programs Cluster | | | 9,205,241 |
| TRIO Cluster | | | |
| TRIO Student Support Services | 84.042 | | 185,230 |
| TRIO Upward Bound | 84.047 | | 258,080 |
| TRIO Educational Opportunity Centers | 84.066 | | 161,124 |
| Total TRIO Cluster | | | 604,434 |
| Passed Through the Ohio Department of Education: | | | |
| Tech Prep Education | 84.243 | VETP - 2004 15 FB | 45,365 |
| Adult Education - Basic Grants to States | 84.002 | AB S1-2004 | 161,958 |
| Career and Technical Education - Basic Grants to States | 84.048 | VECP II 2004-521 | 51,791 |
| Total passed through the Ohio Department of Education | | | 259,114 |
| Total Federal Assistance - U.S. Department of Education | | | 10,068,789 |
| **U.S. Department of Labor** | | | |
| Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants | 17.282 | | 1,302,313 |
| Passed through Lorain County Community College: | | | |
| Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants | 17.282 | TC-26435-14-60-A-39 | 776,303 |
| Total Federal Assistance - U.S. Department of Labor | | | 2,078,616 |
| **Appalachian Regional Commission** | | | |
| Appalachian Regional Development | 23.001 | | 30,270 |
| Total Federal Assistance - Appalachian Regional Commission | | | 30,270 |
| **U.S. Department of Health and Human Services** | | | |
| Affordable Care Act (ACA) Health Profession Opportunity Grants | 93.093 | 90FX0004/01 | 5,867 |
| Total Federal Assistance - U.S. Department of Health and Human Services | | | 5,867 |
| **Total Federal Expenditures** | | | **$ 12,183,542** |

The accompanying notes are an integral part of this schedule.

# Eastern Gateway Community College

## Notes to the Schedule of Expenditures of Federal Awards

## For the Fiscal Year Ended June 30, 2017

**Note 1: Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Eastern Gateway Community College (the “College”) under programs of the federal government for the year ended June 30, 2017. Expenditures reported on the Schedule are reported on the accrual basis of accounting, the same basis of accounting as the basic financial statements.

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 assets, or cash flows of the College. Pass-through entity identifying numbers are presented where available.

**Note 2: Federal Direct Student Loans**

During the fiscal year ended June 30, 2017, the College processed new loans under the Federal Direct Student Loan Program. The amount shown in the accompanying schedule of expenditures of federal awards reflects the fiscal year amount certified by the College.

**Note 3: Indirect Cost Rate**

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

# Eastern Gateway Community College

## Schedule of Findings and Questioned Costs

## For the Fiscal Year Ended June 30, 2017

### 1. Summary of Auditor's Results

| | | |
|---|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | Yes |
| (d)(1)(iv) | Were there any other significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1) (v) | Type of Major Programs' Compliance Opinion | Unmodified - Student Financial Aid Cluster Qualified - Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grant |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR Section 200.516(a)? | Yes |
| (d)(1)(vii) | Major Programs | Student Financial Aid Cluster: CFDA # 84.063, 84.033, 84.007, 84.268<br><br>Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grant: CFDA #17.282 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: >$750,000<br>Type B: All Others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

### 2. Findings Related to the Financial Statements Required To Be Reported In Accordance With GAGAS

None noted.

### 3. Findings for Federal Awards

**2017-001 – Material Noncompliance and Material Weakness in internal control over federal awards, Activities Allowed and Unallowed, Allowable Costs, Level of Effort:**

Major Program - Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grant, CFDA #17.282.

**Condition:**
During our control testing performed over the activities allowed and unallowed, allowable costs, and level of effort compliance requirements, we noted payments made to the contractor at a flat rate of $12,467 per month were not supported by an invoice detailing the level of work performed to justify this flat rate. In addition, the Grant Terms and Conditions, Section 8, Funding Restrictions, subset B, Consultants, states that consultants are limited to a payment of $585 per day. The amount paid per the contract's invoices appears to exceed this limitation and the work performed by the contractor does not list time spent performing the activities listed on the invoice.

**Criteria:**
The respective grant agreement specifies that consultant costs are an allowable expense of the grant up to $585 per day. In addition, the grant agreement states that the College is to ensure payment is only processed and charged to the grant for the actual time or activities performed, invoices fully reflect the work performed, and that the College is paying reasonable costs for the appropriate work performed. Payments to a contractor or vendor are only permitted with a valid contract, along with verification of the work performed on the contract's invoice.

**Cause:**
It appears the College is lacking controls to ensure costs are reasonable, necessary, and allocable to the grant as defined in the grant agreement. In addition, it does not appear controls are in place to ensure the College properly reviews the work performed on this contract before issuing payments on invoices and charging those costs to the grant.

**Effect:**
The lack of controls to ensure costs are reasonable, necessary, and allocable to the grant may result in errors or irregularities going undetected and decrease the reliability of amounts reported to the Federal Agency and may result in significant questioned costs, fines or penalties that would be paid out of the General Fund of the College. As of June 30, 2017, the College had actual questioned cost relating to this finding of $149,604.

**Recommendation:**
We recommend that the College complete an assessment of the work invoiced and paid for to date and ensure proper documentation can be presented to support the amounts charged to the grant. In addition, we recommend that the College read and understand the grant agreement and related terms and conditions and ensure the controls are implemented to ensure costs are reasonable, necessary, and allocable to the grant.

**3. Findings for Federal Awards (continued)**

**2017-001 – Material Noncompliance and Material Weakness in internal control over federal awards, Activities Allowed and Unallowed, Allowable Costs, Level of Effort (continued):**

**Management's Response:**
The College is taking the necessary steps to ensure the costs charged to the grant are allowable within the stipulations of the grant agreement and invoices are supported by the appropriate documentation of level of work performed. In addition, the respective grant agreement specifies that consultant costs are an allowable expense of the grant up to $585 per day per consultant. Based on the detailed invoices received, it appears that the College is meeting this specification.

**2017-002 – Material Noncompliance and Material Weakness in internal control over federal awards, Allowable Costs:**

Major Program – Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grant, CFDA #17.282.

**Condition:**
During our control testing performed over the allowable costs compliance requirement, we noted the College could not provide time/effort timesheets for the grant project manager assigned to the grant. In addition, the project manager's time/effort timesheets do not reflect the additional duties of his position that are non-grant related, as his timesheets indicate that only 50% of his time should be allocated to the grant.

**Criteria:**
The respective grant agreement specifies that personnel costs are an allowable expense of the grant. Timesheets are utilized to ensure that appropriate costs are recorded properly and charged to the grant as an allowable expense.

**Cause:**
Controls in place requiring time/effort timesheets be maintained were not performed.

**Effect:**
Without time/effort timesheets being maintained, it is possible an employee could have been paid for unearned hours that could result in potential questioned costs and unallowable expenditures. In addition, costs for non-grant related work could get charged to the grant without proper support documentation maintained. As of June 30, 2017, the College has a questioned cost relating to this finding of $20,261.

**Recommendation:**
We recommend that the College review all of the hours the project manager devoted to the grant as well as to non-grant related duties that were charged to the grant and make any necessary adjustment to ensure the proper amount is being charged to the grant. In addition, we recommend that the College review their process around time/effort timesheets and ensure procedures are in place to ensure accurate reporting of the project manager hours charged to the grant. The time/effort timesheets should be reconciled with actual expenses on a systematic and periodic basis.

### 3. Findings for Federal Awards (continued)

**2017-002 – Material Noncompliance and Material Weakness in internal control over federal awards, Allowable Costs (continued):**

**Management's Response:**
The College is taking the necessary steps to ensure the costs charged to the grant are allowable and time/effort timesheets for the grant project manager are maintained and accurate.

# Eastern Gateway Community College

## Schedule of Prior Audit Findings

## For the Fiscal Year Ended June 30, 2017

No prior audit findings noted.

## Eastern Gateway Community College

**Corrective Action Plan**

**For the Fiscal Year Ended June 30, 2017**

| Finding Number | Planned Correction Action | Anticipated Completion Date | Responsible Contact Person |
|---|---|---|---|
| 2017-001 | The College is taking the necessary steps to ensure the costs charged to the grant are allowable with the stipulations of the grant agreement and the consulting contract is updated to provide a clear statement of work, a detailed budget of costs to be incurred, specific unique services to be provided, and invoices are supported by the appropriate documentation of level of work performed. | June 30, 2018 | Michael Geoghegan, CFO |
| 2017-002 | The College is taking the necessary steps to ensure the costs charged to the grant are allowable and time/effort timesheets for the grant project manager are maintained and accurate. | June 30, 2018 | Michael Geoghegan, CFO |

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# Dave Yost • Auditor of State

**EASTERN GATEWAY COMMUNITY COLLEGE**

**JEFFERSON 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**
**APRIL 12, 2018**