Rea & associates a brighter way

# BELMONT COLLEGE
## BELMONT COUNTY, OHIO

*SINGLE AUDIT*

FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
Belmont College
68094 Hammond Road
St. Clairsville, Ohio 43950

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

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

Keith Faber
Auditor of State
Columbus, Ohio

December 18, 2020

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**BELMONT COLLEGE**
**BELMONT COUNTY, OHIO**
**JUNE 30, 2020**

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December 7, 2020

Board of Trustees
Belmont College
Belmont County, Ohio
68094 Hammond Road
St. Clairsville, Ohio 43950

**Independent Auditor's Report**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Belmont College, Belmont County, Ohio (the College), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

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

***Emphasis of a Matter***

As discussed in Note 18 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the College. We did not modify our opinion regarding this matter.

***Other Matters***

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance),* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering College's internal control over financial reporting and compliance.

Rea & Associates, Inc.

New Philadelphia, Ohio

**Belmont College**
**Belmont County, Ohio**
**Management Discussion and Analysis**
**For the Fiscal Year Ended June 30, 2020**
**UNAUDITED**

The discussion and analysis of Belmont College's financial statements provides an overview of the College's financial activities for the year ending June 30, 2020, with comparative information from fiscal year 2019. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers. The discussion and analysis contains financial activities of Belmont College.

## About Belmont College

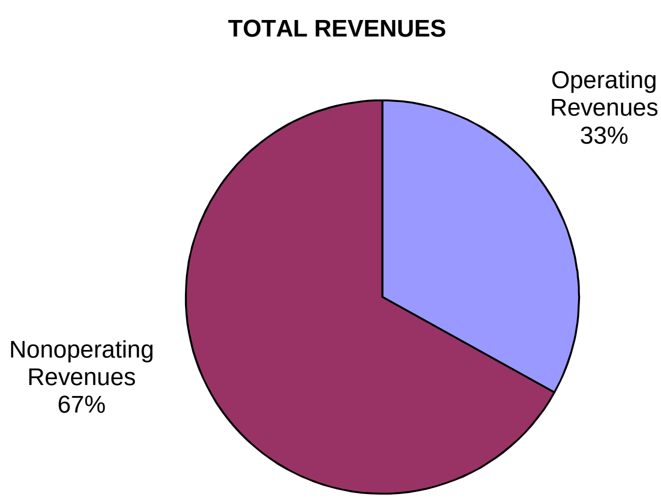
Belmont College is a two year college offering programs in business, engineering, allied health, and public service technologies. The College was chartered in 1971, allowing it to serve the three county areas of Belmont, Harrison, and Monroe Counties.

Belmont College is governed by a board of nine trustees. The Governor of Ohio appoints three members, and six members are elected by a caucus of the boards of education of the Colleges in the three counties served by the College.

## Financial Highlights

Belmont College's financial position, as a whole, improved during the fiscal year ending June 30, 2020. Its combined net position increased $463,668 from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ending June 30, 2020:




In the fiscal year ending June 30, 2020, revenues and other support exceeded expenses, creating the increase in net position of $463,668 (compared to a $1,204,770 increase last year).

## Using the Annual Report

This annual report consists of three basic financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB 35). The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows, in a format similar to that used by corporations, provide information on the College as a whole and present a long-term view of the College's finances. The following activities are included in the College's basic financial statements:

- **Primary Institution (College):** Most of the programs and services generally associated with a university fall into this category, including instruction, research, public service, and support services.

- **Component Unit (Foundation):** The Foundation is a legally separate, tax-exempt organization supporting the College, is considered a component unit of the College, and is discretely presented in the College's financial statements.

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

One of the most important questions asked about the College's finances is, "Is Belmont College as a whole better off or worse off as a result of the year's activities?" One key to answering this question is the financial statements of the College. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as Belmont College's operating results.

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

The Statement of Net Position includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. GASB 35 requires state appropriations to be classified as nonoperating revenues. Accordingly, the College will generate a net operating loss prior to the addition of nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

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

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

## Condensed Financial Information
## Statement of Net Position

| | 2020 | 2019 | Change |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | $ 8,461,381 | $ 7,341,906 | $1,119,475 |
| Capital assets, net of accumulated depreciation | 20,312,572 | 20,762,572 | (450,000) |
| Other noncurrent assets | 583,027 | 646,292 | (63,265) |
| Total assets | 29,356,980 | 28,750,770 | 606,210 |
| **Deferred Outflows of Resources** | | | |
| Total deferred inflows of resources | 1,518,400 | 2,214,545 | (696,145) |
| **Liabilities** | | | |
| Current Liabilities | 830,040 | 815,246 | 14,794 |
| Noncurrent Liabilities | 9,965,878 | 10,069,686 | (103,808) |
| Total liabilities | 10,795,918 | 10,884,932 | (89,014) |
| Total deferred inflows of resoureces | 2,795,003 | 3,259,592 | (464,589) |
| **Net Position** | | | |
| Net Investment in Capital Assets | 20,186,620 | 20,503,357 | (316,737) |
| Restricted | | | |
| Nonexpendable | 56,510 | 56,510 | 0 |
| Expendable | 1,345,201 | 1,165,266 | 179,935 |
| Unrestricted | (4,303,872) | (4,904,342) | 600,470 |
| Total Net Position | $17,284,459 | $16,820,791 | $ 463,668 |

The net pension liability (NPL) is the largest single liability reported by the College at June 30, 2020 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior period, the College also adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the College's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

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

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

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

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

There was a significant change in net pension/OPEB liability/asset for the College. These fluctuations are due to changes in the retirement systems unfunded liabilities that are passed through to the College's financial statements All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL/NOA and are described in more detail in their respective notes.

A review of the College's statement of net position at June 30, 20120 shows that the College continues to build a strong financial foundation.

**Assets and deferred outflows of resources:** As of June 30, 2020, the College's total assets and deferred outflows of resources amount to $30,875,380. Capital assets totaled $20,312,572, or 66 percent, cash and cash equivalents represented $1,586,547, or 5 percent, and investments represented $5,711,670, or 18 percent of total assets and deferred outflows of resources. Deferred outflows of resources totaled $1,518,400, or 5 percent, of total assets and deferred outflows of resources.

**Liabilities and deferred inflows of resources:** At June 30, 2020, the College's liabilities and deferred inflows of resources totaled $13,590,921. Current liabilities represented $830,040 or 6 percent, net pension/OPEB liability totaled $8,684,775 or 64 percent, long-term debt totaled $1,231,594 or 9%. Other long-term liabilities totaled $49,509 or 0.4 percent and deferred inflows of resources totaled $2,795,003 or 21 percent of total liabilities and deferred inflows of resources.

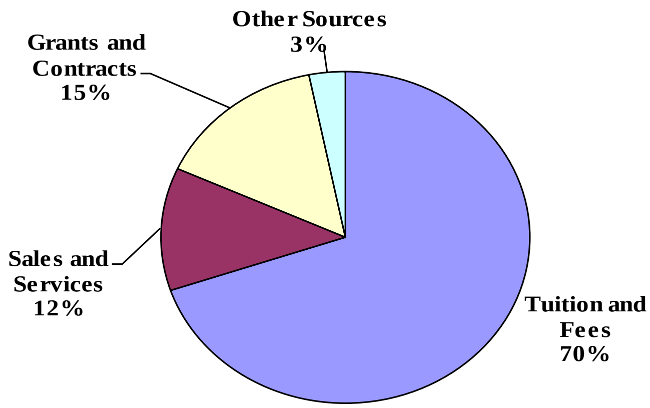
**Net Position:** Net position at June 30, 2020 totaled $17,284,459. Net investment in capital assets totaled $20,186,620, restricted net position totaled $1,401,711 and unrestricted net position totaled ($4,303,872).

# Belmont College
# Belmont County, Ohio
# Management Discussion and Analysis
# For the Fiscal Year Ended June 30, 2020
# UNAUDITED

## Statement of Revenues, Expenses, and Changes in Net Assets

| | 2020 | 2019 | Change |
|---|---|---|---|
| **Operating Revenues:** | | | |
| Tuition and fees | $ 2,278,276 | $ 2,452,747 | $ (174,471) |
| Grants and contracts | 490,654 | 465,070 | 25,584 |
| Auxiliary services | 390,057 | 380,518 | 9,539 |
| Other | 103,559 | 80,528 | 23,031 |
| Total operating revenues | 3,262,546 | 3,378,863 | (116,317) |
| **Operating Expenses:** | | | |
| Education and General | 7,940,378 | 7,252,436 | 687,942 |
| Depreciation | 1,035,333 | 1,049,721 | (14,388) |
| Auxiliary enterprises | 428,284 | 388,503 | 39,781 |
| Total operating expenses | 9,403,995 | 8,690,660 | 713,335 |
| Operating Loss | (6,141,449) | (5,311,797) | (829,652) |
| **Nonoperating Revenues:** | | | |
| State appropriations | 4,250,338 | 4,520,720 | (270,382) |
| Other nonoperating revenues | 2,156,428 | 1,799,143 | 357,285 |
| Net nonoperating revenues | 6,406,766 | 6,319,863 | 86,903 |
| Income before other revenues | 265,317 | 1,008,066 | (742,749) |
| Capital appropriations | 153,344 | 161,415 | (8,071) |
| Capital grants and gifts | 45,007 | 35,289 | 9,718 |
| Increase in net position | 463,668 | 1,204,770 | (741,102) |
| **NET POSITION, beginning of year** | 16,820,791 | 15,616,021 | 1,204,770 |
| **NET POSITION, end of year** | $ 17,284,459 | $ 16,820,791 | $ 463,668 |

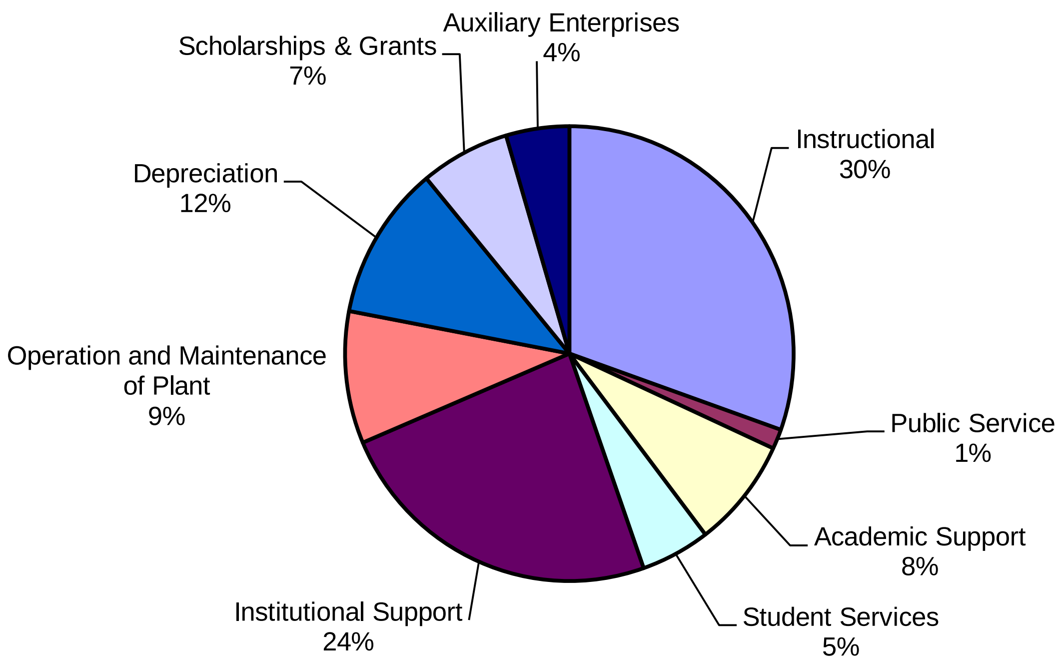
**OPERATING REVENUES - FISCAL YEAR 2020**




Total operating revenues were $3,262,546 for the year ended June 30, 2020. The most significant sources of operating revenue for the College are net tuition and fees which comprise 70 percent of total operating revenues, grants and contracts comprises 15% and auxiliary enterprises (bookstore) comprises 12 percent of total operating revenues.

There are other significant recurring sources of revenues essential to the operation of the College, including state appropriations, federal Pell grants, and investment income, which are considered nonoperating revenues as defined by GASB 35. The College's state appropriations for the year ended June 30, 2020, amounted to $4,250,338 and Pell grant awards amounted to $1,486,228.

# OPERATING EXPENSES - FISCAL YEAR 2020




Operating expenses, including $1,035,333 of depreciation, totaled $9,403,995. As depicted in the chart above, the majority of the College's operating funds are expended for instructional (30 percent), institutional support (24 percent), plant operation (9 percent), and academic support (8 percent). One of the College's core values is to provide students' access to the College with the opportunity to succeed. The College's continued investment in student financial aid programs and student support services reflects this commitment.

## The Statement of Cash Flows

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

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

**Statement of Cash Flows**

| | 2020 | 2019 | Change |
|---|---|---|---|
| Cash provided by (used by): | | | |
| Operating activities | $ (5,942,853) | $ (6,396,202) | $ 453,349 |
| Noncapital financing activities | 7,511,677 | 6,191,517 | 1,320,160 |
| Capital and related financing activities | (520,247) | (758,082) | 237,835 |
| Investing activities | (109,735) | 1,116,584 | (1,226,319) |
| Net increase (decrease) in cash | 938,842 | 153,817 | 785,025 |
| Cash, beginning of year | 647,705 | 493,888 | 153,817 |
| Cash, end of year | $ 1,586,547 | $ 647,705 | $ 938,842 |

Major cash sources of funds included in operating activities are student tuition and fees of $2,293,559, grants and contracts of $490,654 and auxiliary services of $394,746. The largest cash payments for operating activities were to employees for wages and benefits.

The largest cash receipts in the noncapital financing activities group are federal grants and the operating appropriation from the State of Ohio.

## Capital and Debt Administration

*Capital Assets*

At June 30, 2020, the College had $20,312,572 invested in capital assets, net of accumulated depreciation of $11,390,401. Depreciation charges totaled $1,035,333 for the current fiscal year. Details of these assets for the two years are shown below:

| | 2020 | 2019 | Change |
|---|---|---|---|
| **Capital Assets** | | | |
| Land and land improvements | $ 385,769 | $ 287,467 | $ 98,302 |
| Buildings and improvements | 18,693,163 | 19,044,173 | (351,010) |
| Machinery and equipment | 1,196,612 | 1,380,592 | (183,980) |
| Vehicles | 25,506 | 31,465 | (5,959) |
| Library books and materials | 11,522 | 18,875 | (7,353) |
| Totals | $ 20,312,572 | $ 20,762,572 | $ (450,000) |

More detailed information about the College's capital assets is presented in Note 7 to the financial statements.

*Debt*

In fiscal year 2020, the College issued debt in the amount of $1,231,594 to be used for general operating expenditures at an interest rate of 1%. The loan matures on May 1, 2022. See Note 8 for additional information.

## Economic Factors that will Affect the Future

Belmont College is committed to providing the highest quality academic opportunities possible, while simultaneously ensuring students have access to affordable higher education. As a political subdivision of the State of Ohio, Belmont receives a portion of its revenue through state support for higher education, also referred to as "state share of instruction." State funds significantly help to keep tuition rates low.

The College completed a major renovation of the Main Campus Academic Technical Center (ATC) in August 2018. The renovation of the 93,982-square foot main building included updates that have helped to make the building more energy efficient. The updates also included adding a student services area for students. This has created one location for students to register and enroll for classes. As a continuation of these improvements, this year, the ATC main restroom facilities have been remodeled and new directional signage has been placed throughout the main building. This signage is eye-catching, easy to read, and corresponds the College's brand standards.

Additionally, the College recently revamped their Mechanical Technology Center (MTC) which is the former Northstar Polaris Dealership building that the College purchased in 2011. The 5,000-square foot MTC is the new home to Belmont's Heating Ventilation and Air Conditioning (HVAC) program which was formally housed in the Science and Engineering Building on the property of Ohio University Eastern. The building, originally built in 1998, is connected to the 54 acres of property that Belmont College owns between Hammond Road and State Route 331 in St. Clairsville. As a result of the renovation, the MTC now has classroom space for instruction in geothermal, solar, smart-technologies, and traditional HVAC technologies. The College plans to use 1,000 square feet of additional space in the building for Heavy Equipment Technology workforce training.

In addition to the newly modernized MTC, the HVAC program has named an HVAC Excellence Partner. This means that students who graduate from the HVAC program complete their degree or certificate with a "warranty guarantee." This guarantee asserts that at Belmont, we believe that our HVAC student's education has prepared them with the knowledge base and skills necessary for employment. If graduates do not meet proper standards after going through the extended educational component, Belmont will reeducate them at no additional cost.

Another noteworthy change on campus is the addition of a two-year Radiology Program. This program is new to Belmont, as it is the former Ohio Valley Medical Center (OVMC) Program of Radiologic Technology, which was known for its program excellence from its inception in 1954. Graduates have had a 100% pass rate on the national board exam for more than 20 years and the recent 2020 graduating class had 100% job placement. On campus classrooms have been renovated to allow for the donated radiology equipment and include all the necessary required safety measures and

Additionally, the College's Associate Degree Nursing Program had their Ohio Board of Nursing site visit at the end of September 2020. According to the state surveyor, Belmont's nursing program is 100% in compliance with Ohio Law and Rule 4723-5 of the Ohio Administrative Code. They further stated that only 10 to 20 percent of the programs surveyed each year achieve this level. Once our official 2020 NCLEX results are recorded, it is the hope of the College that the program will move to a full approval status. This will occur in March of 2021 after the calculations are completed for the 2020 NCLEX testers.
Belmont's official NCLEX pass rate for 2019 was 96% (48/50); unofficial pass rate for 2020 is 93% (27/29) - final verification will be forthcoming.

More exciting news includes the addition of a Commercial Driver's License (CDL) Truck Driving Academy program that is fully offered at the College's Main Campus location. Belmont has formed a partnership with OV Truck Driving School; with their 25 years of experience, OV Truck Driver Training has qualified and experienced instructors who provide comprehensive and affordable training. The Truck Driving Academy offers students a wide-ranging curriculum and training process to prepare them to pass the CDL exam. Training consists of classroom and behind-the-wheel training in St. Clairsville, Ohio from state-certified instructors, licensed by the Ohio Division of Public Safety. Belmont College has a newly installed CDL training pad as well as Belmont College branded trucks and trailers. The training pad is located behind the Health Sciences Center near the College's Main Campus

Furthermore, beginning in mid-March 2020, Belmont shifted to online-only learning almost overnight. Due to the uncertainty caused by the coronavirus and the challenges of responding to quickly evolving logistical concerns, administration felt this was the best course of action. Faculty worked quickly to implement classes though Canvas, a learning management system, to meet the needs of online instructing. Student orientations and advising sessions were and are currently offered virtually online through Zoom. The enrollment and advising offices have been working closely with marketing to implement increased email and texting options to maintain communication with students, applicants and inquiries.

As a follow up to efforts, put in place in May of 2020 due to COVID-19, to implement additional safety precautions at the College, the following is a list of procedures in place currently (this list has been approved by the Board of Health Belmont County General Health District):

- Additional signage, including posters and floor decals, across campus reminding all to maintain social distancing, facemasks requirements and symptoms to be aware of (posters provided by the State of Ohio COVID website).
- Sign-in of all individuals entering the campus and health questions reviewed at each building.
- Health questions posted in all classrooms.
- Mandatory facemasks/coverings for all individuals on campus. Facemasks have been purchased and supplied to all employees. Facemasks are also available in the College Bookstore for purchase.
- Face shields have been purchased for those who medically cannot wear a mask.
- Café is open with limited menu allowing for more rapid service and less preparation.
- Hand sanitizers placed in every classroom.
- Classrooms wiped down between classes.
- Sneeze guards are provided in classrooms where students can't social distance while seated.
- Common areas are regularly sanitized. Furniture in these areas has been rearranged to allow for 6-feet of distance.
- Allowance of certain classes to be moved to larger spaces, when available, for improved social distancing.
- Continued remote work, for those who can perform their jobs successfully off campus.

On April 26, 2020, Belmont College was granted CARES Act funding under the Higher Education Emergency Relief Fund (HEERF) to provide emergency grants to students impacted by COVID-19. To receive the grant, enrolled students must complete the Emergency Financial Grant Application, have demonstrated eligibility for federal financial aid, and not be enrolled solely in an online program when courses were changed to remote delivery. The grant can be used for: expenses related to the disruption of campus operations as a result of the coronavirus such as: food, housing, course materials, technology, health and child/dependent care expenses.

To determine which current students would receive emergency funding and how much they would receive under Section 18004(a)(1) of the CARES Act, the College reviewed completed 2019-2020 or 2020-2021 FAFSAs to determine eligibility. Students must have had enrollment as of March 13, 2020, of the Spring 2020 semester. To apply, must complete a Belmont College Emergency Grant application and have completed the 2019-2020 and/or the 2020-2021 Free Application for Federal Student Aid (FAFSA).

Moreover, the College is entering into the fifth year of the 'BeConnected' initiative, which provides an iPad to every student, faculty member and the majority of staff members. The purpose of BeConnected is to encourage completion and retention, as well as to enhance the way Belmont teaches and prepares students for the technology-driven careers. An important benefit of iPad is the mobility and versatility of the device; students have the ability to use their iPad anywhere on campus, in the classroom, during internships, and in the field, providing them endless ways to learn new concepts and express their creativity. The initiative also supports the Belmont's Sustainability Program, as it is working to greatly reduce the need/cost for books, printing and paper supplies.

Thanks to the continued success of the BeConnected program, the College is working with Apple to run and manage an Apple Campus Shop out of the Campus Bookstore. This would allow College students, employees, and eventually alumni, the ability to purchase Apple products at an educational discount such as iPads, MacBooks, and Apple Watches as well as Apple accessories including AirPods, adaptors, etc. The College is working with Apple to get this project further underway and hopes to open the store as soon as Spring 2021.

Another important development is that starting October 2, 2020, Belmont has partnered with ADP to process employee payroll. This will allow the College to save time, pay employees promptly, and be accurate with all reporting including monitoring time off requests and tax information. Additionally, employees now have the ability to monitor their payroll and time off information through the ADP mobile app to more easily track their information.

Belmont College is conscientious of the financial implications regarding enrollment decline. While a recent decline in enrollment has occurred, Belmont has implemented a strategy combining calculated risk and budget adjustments to stabilize and enhance revenue where possible, and to compensate for revenue reduction where necessary.

The overall financial health of Belmont College is strong, having more than adequate cash flow and reserves. Though the business of higher education is rapidly changing, Belmont College is strategically positioned to adapt to the emerging paradigms.

## Contacting the College's Financial Management

This financial report is designed to provide the Ohio Department of Education, our citizens, taxpayers, and investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it received. If you have questions about this report, or need additional financial information, contact John S. Koucoumaris, Vice President Administrative Affairs, at Belmont College, 68094 Hammond Road, St. Clairsville, Ohio 43950.

**BELMONT COLLEGE**
**BELMONT COUNTY, OHIO**
**STATEMENT OF NET POSITION**
**As of June 30, 2020**

| | Belmont College | Component Unit Belmont College Foundation |
|---|---|---|
| **ASSETS** | | |
| *Current Assets:* | | |
| Cash equivalents | $ 1,533,737 | $ 43,221 |
| Investments | 5,628,820 | 556,040 |
| Interest receivable | 82,639 | 0 |
| Accounts receivable, net | 1,146,490 | 0 |
| Supplies inventory, at cost | 69,695 | 0 |
| **Total current assets** | 8,461,381 | 599,261 |
| *Noncurrent Assets:* | | |
| Restricted cash and cash equivalents | 52,810 | 0 |
| Restricted investments | 82,850 | 388,334 |
| Net OPEB Assets (see notes) | 447,367 | 0 |
| Capital assets, non-depreciable | 276,000 | 0 |
| Capital assets, net of accumulated depreciation | 20,036,572 | 0 |
| **Total noncurrent assets** | 20,895,599 | 388,334 |
| **TOTAL ASSETS** | 29,356,980 | 987,595 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Pension: | | |
| STRS | 1,148,125 | 0 |
| SERS | 240,865 | 0 |
| OPEB: | | |
| STRS | 49,962 | 0 |
| SERS | 79,448 | 0 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | 1,518,400 | 0 |
| **LIABILITIES** | | |
| *Current Liabilities:* | | |
| Accrued liabilities | 325,257 | 0 |
| Accrued vacation/sick leave | 208,438 | 0 |
| Capital lease | 125,952 | 0 |
| Deferred fees income | 170,393 | 0 |
| **Total current liabilities** | 830,040 | 0 |
| *Noncurrent Liabilities:* | | |
| Accrued vacation/sick leave | 49,509 | 0 |
| Long Term Debt | 1,231,594 | 0 |
| Net Pension Liabilities (see notes) | 7,903,621 | 0 |
| Net OPEB Liabilities (see notes) | 781,154 | 0 |
| **Total noncurrent liabilities** | 9,965,878 | 0 |
| **TOTAL LIABILITIES** | 10,795,918 | 0 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| *Pension:* | | |
| STRS | 1,621,677 | 0 |
| SERS | 155,228 | 0 |
| *OPEB:* | | |
| STRS | 667,391 | 0 |
| SERS | 350,707 | 0 |
| **Total deferred inflows of resources** | 2,795,003 | 0 |
| **NET POSITION** | | |
| Net Investment in Capital Assets | 20,186,620 | 0 |
| Restricted: | | |
| *Nonexpendable:* | | |
| Scholarships | 56,510 | 320,756 |
| *Expendable:* | | |
| Scholarships | 90,969 | 248,997 |
| Instructional Department uses | 803,128 | 0 |
| Capital projects | 451,104 | 0 |
| Unrestricted | (4,303,872) | 417,842 |
| **TOTAL NET POSITION** | $ 17,284,459 | $ 987,595 |

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

**BELMONT COLLEGE**
**BELMONT COUNTY, OHIO**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**
**For the Fiscal Year Ended June 30, 2020**

| | Belmont College | Component Unit Belmont College Foundation |
|---|---|---|
| **REVENUE:** | | |
| *Operating Revenues:* | | |
| Student tuition and fees (net of scholarship allowances of $437,639 & $1,107,383) | $ 2,278,276 | $ 0 |
| State grants and contracts | 275,355 | 0 |
| Federal grants and contracts | 215,299 | 0 |
| Private gifts and contracts | 0 | 39,674 |
| Auxiliary Enterprises: | | |
| Sales and services | 390,057 | 0 |
| Other sources | 103,559 | 0 |
| **Total revenues** | 3,262,546 | 39,674 |
| **EXPENSES:** | | |
| *Operating Expenses:* | | |
| Educational and General: | | |
| Instructional | 2,862,648 | 0 |
| Public service | 132,158 | 0 |
| Academic support | 732,365 | 0 |
| Student services | 469,377 | 0 |
| Institutional support | 2,255,669 | 92,606 |
| Operation and maintenance of plant | 882,410 | 0 |
| Depreciation | 1,035,333 | 0 |
| Scholarships and grants | 605,751 | 30,000 |
| **Total Educational and General** | 8,975,711 | 122,606 |
| Auxiliary Enterprises | 428,284 | 0 |
| **Total Expenses** | 9,403,995 | 122,606 |
| **Operating Loss** | (6,141,449) | (82,932) |
| **NONOPERATING REVENUES (EXPENSES):** | | |
| State appropriations | 4,250,338 | 0 |
| Federal Grants & Contracts | 1,486,228 | 0 |
| Gifts | 66,724 | 0 |
| Investment income | 126,683 | 71,077 |
| Oil and Gas Lease Revenue | 476,793 | 0 |
| Net nonoperating revenues | 6,406,766 | 71,077 |
| **Income (loss) before other revenues, expenses, gains or losses** | 265,317 | (11,854) |
| Capital appropriations | 153,344 | 0 |
| Capital grants and gifts | 45,007 | 0 |
| **Total other revenues** | 198,351 | 0 |
| **Increase in Net Assets** | 463,668 | (11,854) |
| **Net Position, Beginning of Year** | 16,820,791 | 999,449 |
| **Net Position, End of Year** | $ 17,284,459 | $ 987,595 |

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

**BELMONT COLLEGE**
**BELMONT COUNTY, OHIO**
**STATEMENT OF CASH FLOWS**
**For the Fiscal Year Ended June 30, 2020**

| | Belmont College | Component Unit Belmont College Foundation |
|---|---|---|
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | |
| *Cash Flows from Operating Activities:* | | |
| Tuition and fees | $ 2,293,559 | $ 0 |
| Grants and contracts | 490,654 | 39,674 |
| Payments to suppliers | (2,012,386) | (93,760) |
| Payments for utilities | (221,815) | 0 |
| Payments to employees | (4,923,747) | 0 |
| Payments for benefits | (1,461,672) | 0 |
| Payments for scholarships and grants | (605,751) | (30,000) |
| Auxiliary Enterprises: | | |
| Book Store | 394,746 | 0 |
| Other receipts | 103,559 | 0 |
| **Net cash used by operating activities** | (5,942,853) | (84,086) |
| *Cash Flows from Non-Capital and Related Financing Activities:* | | |
| State appropriations | 4,250,338 | 0 |
| Federal Grants (Pell Grant - Non Operating) | 1,486,228 | 0 |
| Gifts and grants | 66,724 | 0 |
| Long Term Debt Proceeds | 1,231,594 | 0 |
| Oil and Gas Lease Proceeds | 476,793 | 0 |
| **Net cash provided by non-capital and related financing activities** | 7,511,677 | 0 |
| *Cash Flows from Capital and Related Financing Activities:* | | |
| Purchase of capital assets | (592,646) | 0 |
| Principal Paid on Leases | (125,952) | 0 |
| Capital Grants | 45,007 | 0 |
| Capital Appropriations | 153,344 | 0 |
| **Net cash used by capital and related financing activities** | (520,247) | 0 |
| *Cash Flows from Investing Activities:* | | |
| Interest on investments | 100,545 | 71,077 |
| Proceeds from sales and maturities of investments | 0 | 21,018 |
| Purchase of investments | (210,280) | 0 |
| **Net cash used by noncapital financing activities** | (109,735) | 92,095 |
| **Net increase in cash and cash equivalents** | 938,842 | 8,009 |
| **Cash and Cash Equivalents, beginning of year** | 647,705 | 35,212 |
| **Cash and Cash Equivalents, end of year** | 1,586,547 | 43,221 |
| **RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:** | | |
| Operating loss | (6,141,449) | (82,932) |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities: | | |
| Depreciation | 1,035,333 | 0 |
| (Increase)/Decrease in Assets and Deferred Outflows of Resources: | | |
| Receivables, net | 51,923 | 0 |
| Inventories | 3,863 | 0 |
| Deferred Outflows Pension: STRS | 674,899 | 0 |
| Deferred Outflows Pension: SERS | 60,475 | 0 |
| Deferred Outflows OPEB: STRS | 9,680 | 0 |
| Deferred Outflows OPEB: SERS | (48,909) | 0 |
| Increase/(Decrease) in Liabilities and Deferred Inflows of Resources: | | |
| Accrued liabilities | 23,842 | (1,154) |
| Net Pension Liabilities | (1,045,603) | 0 |
| Net OPEB | (100,583) | 0 |
| Deferred Inflows Pension: STRS | (197,791) | 0 |
| Deferred Inflows Pension: SERS | (183,611) | 0 |
| Deferred Inflows OPEB: STRS | (213,909) | 0 |
| Deferred Inflows OPEB: SERS | 130,722 | 0 |
| Compensated absences | 30,216 | 0 |
| Deferred revenue | (31,951) | 0 |
| **Net cash used by operating activities** | $ (5,942,853) | $ (84,086) |

**NONCASH TRANSACTIONS:**
Contribution of capital assets from Ohio Board of Regents

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

## NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

Belmont College is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and the laws of the State of Ohio. Belmont College is a technical college as defined by Section 3357.01 of the Ohio Revised Code. 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.

Belmont College Foundation (Foundation) is a legally separate, tax-exempt organization supporting the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or incomes thereon, that the Foundation holds and invests, are restricted to the activities of the College by donors. Based upon the provisions in *Governmental Accounting Standards Board* (GASB) *Statement No. 14 – Reporting Entity* and subsequent amendments in GASB Statement No. 39, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Basis of Presentation

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

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

### B. Basis of Accounting

The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the College is required to follow all applicable GASB pronouncements.

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

### C. Cash and Cash Equivalents

This classification appears on the Statement of Net Position and the Statement of Cash Flows and includes petty cash, cash on deposit with private bank accounts and savings accounts.

For purposes of the statement of cash flows and for presentation of the statement of net position, investments with original maturities of three months or less at the time they are purchased by the College are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

### D. Investments

Investments, when purchased, are stated at cost and, if received through gift, at market value at the date of gift if a market value is available; otherwise, they are stated at an appraisal or nominal value. The College has invested in certificates of deposit and STAR Ohio during the fiscal year.

### E. Receivables

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

### F. Allowance for Doubtful Accounts

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

### G. Inventories

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

### H. Capital Assets

Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of $5,000 at the date of acquisition and an expected useful life of one or more years. Library books are significant in the aggregate and are therefore also capitalized.

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 50 years for buildings, 3 to 15 years for equipment, 10 years for vehicles and 5 years for library books and materials.

### I. Restricted Assets

Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.

### J. Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities include compensated absences, long-term debt and capital leases that will not be paid within the next fiscal year as well as the net pension and net OPEB liabilities (see Notes 11 and 12.)

### K. Compensated Absences

The College has adopted GASB No. 16.

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

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

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

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

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

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

### L. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the College, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the College, deferred inflows of resources are for pension and OPEB related inflows. Deferred inflows of resources related to pension and OPEB are reported on the statement of net position and are explained in Note 11 and 12.

### M. Pensions and Other Postemployment Benefits (OPEB)

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

### N. Net Position

The College's net position is classified as follows:

**Net Investment in Capital Assets** – This represents the College's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

**Restricted Net Position – Nonexpendable** – Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.

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

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

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

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

### O. Scholarship Allowances

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

### P. Operating Activity

The College defines operating activities, as reported on the statement of revenues, expenses, and changes in net position, as those that generally results from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, grants, contracts and investments income, are recorded as non-operating revenues, in accordance with GASB Statement No. 35.

In addition, the GASB Implementation Guide has indicated PELL grants should be considered non-operating revenues beginning in fiscal year 2009.

### Q. Budgetary Process

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

### R. Income Taxes

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

### S. Use of Estimates

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

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

### T. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2020, the College has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For the fiscal year ended June 30, 2020, the College also implemented paragraphs 4 and 5 of Governmental Accounting Standards Board Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Paragraph 4 increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a government board typically would perform and paragraph 5 mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. The implementation of paragraphs 4 and 5 of this Statement did not have an effect on the financial statements of the College.

For the fiscal year ended June 30, 2020, the College has early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* and GASB Statement No. 92, *Omnibus 2020*.

GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the College.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the College.

## NOTE 3 – STATE SUPPORT

The College is a state-assisted institution of higher education which receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based on a formula devised by the Ohio Board of Regents.

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

Neither the obligation for special obligation bonds issued by OPFC, nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. These costs are currently being funded through appropriations to the Board of Regents by the General Assembly.

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

A. Construction in progress for any portion of the facilities being financed by state agencies for use by the College should be recorded on the College's books of account until such time as the facility is completed.

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

## NOTE 4 – DEPOSITS AND INVESTMENTS

State statute classifies monies held by the College into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the College Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies are public deposits that the Board of Trustees has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

Protection of the College's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty and two hundred and seventy days, respectively, in an amount not to exceed forty percent of the interim moneys available for investment at any on time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the College and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

## NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

***Deposits*** - At year-end, $1,203,356 of the College's bank balance of $1,859,290 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the College's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the College to a successful claim by the FDIC.

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of a bank failure, the College will not be able to recover deposits or collateral securities that are in possession of an outside party. The College has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

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

- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Investments:**

As of June 30, 2020, the College had the following investments and maturities:

| S & P Global Rating | Investment Type | Measurment Amount | Investment Maturities 12 Months or Less | Percent of Total |
|---|---|---|---|---|
| | Net Asset Value (NAV): | | | |
| AAAm | STAR Ohio | 1,389,055 | 1,389,055 | 24.67% |
| | Fair Value: | | | |
| N/A | Negotiable Certificates of Deposit | 4,241,600 | 4,241,600 | 75.33% |
| | Total | $ 5,630,655 | $ 5,630,655 | 100.00% |

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the College's recurring fair value measurements as of June 30, 2020. The College's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

## NOTE 5 - RECEIVABLES

Receivables at June 30, 2020 were as follows:

| | Gross Receivables | Allowance for Doubtful Accounts | Net Receivables |
|---|---|---|---|
| Current Receivables: | | | |
| Students | $ 1,792,974 | $ (887,073) | $ 905,901 |
| Interest | 82,639 | 0 | 82,639 |
| Other | 240,589 | 0 | 240,589 |
| Total Current Receivables | $ 2,116,202 | $ (887,073) | $ 1,229,129 |

## NOTE 6 - DONOR RESTRICTED ENDOWMENTS

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

At June 30, 2020, there was no net appreciation on donor restricted assets available to be spent.

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## NOTE 7 – CAPITAL ASSETS

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

| | Balance June 30, 2019 | Additions | Reductions | Balance June 30, 2020 |
|---|---|---|---|---|
| Capital Assets, Non Depreciable: | | | | |
| Land | $ 276,000 | $ 0 | $ 0 | $ 276,000 |
| Total Non-depreciable | 276,000 | 0 | 0 | 276,000 |
| Capital Assets, Depreciable: | | | | |
| Land Improvements | 738,647 | 125,450 | 0 | 864,097 |
| Buildings and improvements | 26,203,452 | 298,971 | 0 | 26,502,423 |
| Machinery and Equipment | 3,407,390 | 160,587 | 8,885 | 3,559,092 |
| Motor Vehicles | 234,330 | 0 | 40,325 | 194,005 |
| Library books and materials | 323,191 | 325 | 16,160 | 307,356 |
| Total Depreciable | 30,907,010 | 585,333 | 65,370 | 31,426,973 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | 727,180 | 27,148 | 0 | 754,328 |
| Buildings and improvements | 7,159,279 | 649,981 | 0 | 7,809,260 |
| Machinery and Equipment | 2,026,798 | 344,567 | 8,885 | 2,362,480 |
| Motor Vehicles | 202,865 | 5,959 | 40,325 | 168,499 |
| Library books and materials | 304,316 | 7,678 | 16,160 | 295,834 |
| Total Accumulated Depreciation | 10,420,438 | 1,035,333 | 65,370 | 11,390,401 |
| Total Capital Assets, Depreciable, net | 20,486,572 | (450,000) | 0 | 20,036,572 |
| Capital Assets, net | $ 20,762,572 | $ (450,000) | $ 0 | $ 20,312,572 |

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## NOTE 8 – LONG-TERM LIABILITIES

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

| | Balance July 1, 2019 | Additions | Reductions | Balance June 30, 2020 | Current Portion |
|---|---|---|---|---|---|
| Direct Borrowing: | | | | | |
| SBA Loan | $ 0 | $ 1,231,594 | $ 0 | $ 1,231,594 | $ 0 |
| Net Pension Liability: | | | | | |
| SERS | 1,962,065 | 0 | 31,671 | 1,930,394 | 0 |
| STRS | 6,987,159 | 0 | 1,013,932 | 5,973,227 | 0 |
| Total Net Pension Liability | 8,949,224 | 0 | 1,045,603 | 7,903,621 | 0 |
| Net OPEB Liability: | | | | | |
| SERS | 945,002 | 0 | 163,848 | 781,154 | 0 |
| Total Net OPEB Liability | 945,002 | 0 | 163,848 | 781,154 | 0 |
| Capital Lease Payable | 251,903 | 0 | 125,951 | 125,952 | 125,952 |
| Compensated Absences | 227,731 | 30,216 | - | 257,947 | 208,438 |
| Total Long-Term Liabilities | $ 10,373,860 | $ 1,261,810 | $ 1,335,402 | $ 10,300,268 | $ 334,390 |

In fiscal year 2020, the College issued an unsecured loan to be used for general operating expenditures at an interest rate of 1%. The loan matures on May 1, 2022.

## NOTE 9 – CAPITAL LEASES

In fiscal year 2019, the College entered into a capital lease for IPAD's. These lease obligations meet the criteria of a capital lease and has been recorded as capital assets on the statement of net position. The assets acquired by the leases were capitalized in the amount of $377,855, which was equal to the present value of the future minimum lease payments at the time of acquisition. The lease will be paid in three equal annual installments. A corresponding liability was recorded and is reduced for each required principal payment. Capitalized lease assets are reflected net of accumulated depreciation in the amount of $125,952.

The following is a schedule of future minimum lease payments under the capital lease as of June 30, 2020.

| | |
|---|---|
| Fiscal Year Ending June 30, 2021 | $ 125,952 |
| Less: amount representing interest | 0 |
| Present Value of net minimum lease payments | $ 125,952 |

## NOTE 10 – OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS

| | Salaries and Benefits | Scholarships and Fellowships | Utilities | Supplies and Other Services | Depreciation | Total |
|---|---|---|---|---|---|---|
| Instruction & departmental research | $ 2,481,970 | $ 0 | $ 0 | $ 380,678 | $ 0 | $ 2,862,648 |
| Public service | 60,719 | 0 | 0 | 71,439 | 0 | 132,158 |
| Academic support | 605,789 | 0 | 0 | 126,576 | 0 | 732,365 |
| Student services | 456,751 | 0 | 0 | 12,626 | 0 | 469,377 |
| Institutional support | 1,439,618 | 0 | 0 | 816,051 | 0 | 2,255,669 |
| Operations and maintenance | 376,981 | 0 | 221,815 | 283,614 | 0 | 882,410 |
| Scholarships & grants | 0 | 605,751 | 0 | 0 | 0 | 605,751 |
| Auxiliary enterprises | 80,558 | 0 | 0 | 347,726 | 0 | 428,284 |
| Depreciation | 0 | 0 | 0 | 0 | 1,035,333 | 1,035,333 |
| Totals | $ 5,502,386 | $ 605,751 | $ 221,815 | $ 2,038,710 | $ 1,035,333 | $ 9,403,995 |

## NOTE 11 - DEFINED BENEFIT PENSION PLANS

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

***Net Pension Liability/Net OPEB Liability (Asset)***

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) 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/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting 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/OPEB are financed; however, the College does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

## NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires 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 (assets) 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/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term ***net pension/OPEB liability (asset).*** Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accrued liabilities*.

The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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

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

Age and service requirements for retirement are as follows:

| | Eligible to Retire before August 1, 2017* | Eligible to Retire on or after August 1, 2017 |
|---|---|---|
| Full Benefits | 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 | Age 60 with 5 years of service credit | Age 62 with 10 years of service credit; or |
| Benefits | Age 55 with 25 years of service credit | 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 30 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.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2020.

The College's contractually required contribution to SERS was $191,916 for fiscal year 2020. Of this amount, $9,054 is reported as an accrued liability.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes 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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 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 2020 contribution rates were equal to the statutory maximum rates.

The College’s contractually required contribution to STRS was $397,820 for fiscal year 2020. Of this amount, $27,427 is reported as an accrued liability.

## NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The College's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the Net Pension Liability: | | | |
| Current Measurement Date | 0.03226370% | 0.02701058% | |
| Prior Measurement Date | 0.03425880% | 0.03177750% | |
| Change in Proportionate Share | -0.00199510% | -0.00476692% | |
| Proportionate Share of the Net Pension Liability | $ 1,930,394 | $ 5,973,227 | $ 7,903,621 |
| Pension Expense | $ 37,109 | $ (139,004) | $ (101,895) |

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.

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## NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

At June 30, 2020 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 | $ 48,949 | $ 48,633 | $ 97,582 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 0 | 0 | 0 |
| Changes of Assumptions | 0 | 701,672 | 701,672 |
| College Contributions Subsequent to the Measurement Date | 191,916 | 397,820 | 589,736 |
| **Total Deferred Outflows of Resources** | $ 240,865 | $ 1,148,125 | $ 1,388,990 |
| | | | |
| **Deferred Inflows of Resources** | | | |
| Differences between Expected and Actual Experience | $ 0 | $ 25,858 | $ 25,858 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 24,781 | 291,939 | 316,720 |
| Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions | 130,447 | 1,303,880 | 1,434,327 |
| **Total Deferred Inflows of Resources** | $ 155,228 | $ 1,621,677 | $ 1,776,905 |

$589,736 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2021 | $ (54,441) | $ (195,229) | $ (249,670) |
| 2022 | (64,242) | (260,145) | (324,387) |
| 2023 | (1,647) | (264,913) | (266,560) |
| 2024 | 14,051 | (151,085) | (137,034) |
| | $ (106,279) | $ (871,372) | $ (977,651) |

### *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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

## NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2035.

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

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

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

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

## NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

***Discount Rate*** Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings 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 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 College's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the College'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 | Current Discount Rate | 1% Increase |
|---|---|---|---|
| College's Proportionate Share of the Net Pension Liability | $ 2,705,172 | $ 1,930,394 | $ 1,280,645 |

***Actuarial Assumptions - STRS***

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

| | |
|---|---|
| Inflation | 2.50 percent |
| Projected Salary Increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Investment Rate of Return | 7.45 percent, net of investment expenses, including inflation |
| Discount Rate of Return | 7.45 percent |
| Projected Payroll Growth | 3.00 percent |
| Cost-of-Living Adjustments | 0.00 percent |

## NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

The actuarial assumptions used in the July 1, 2019 valuation, were based on the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

***Discount Rate***. The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

***Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table represents the College's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

**NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| College's Proportionate Share of the Net Pension Liability | $ 8,729,206 | $ 5,973,227 | $ 3,640,150 |

## NOTE 12 - DEFINED BENEFIT OPEB PLANS

See Note 11 for a description of the net OPEB liability (asset).

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to health care. 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 credit was earned. For fiscal year 2020, this amount was $19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the College's surcharge obligation was $9,054, which is reported as an accrued liability.

## NOTE 12 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

### *Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB*

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the Net OPEB Liability (Asset): | | | |
| Current Measurement Date | 0.03106200% | 0.02701100% | |
| Prior Measurement Date | 0.03406300% | 0.03177800% | |
| Change in Proportionate Share | -0.00300100% | -0.00476700% | |
| Proportionate Share of the Net OPEB Liability (Asset) | $ 781,154 | $ (447,367) | $ 333,787 |
| OPEB Expense | $ (72,981) | $ (140,964) | $ (213,945) |

## NOTE 12 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between Expected and Actual Experience | $ 11,467 | $ 40,558 | $ 52,025 |
| Net Difference between Projected and Actual Earnings on OPEB Plan Investments | 1,873 | 0 | 1,873 |
| Changes of Assumptions | 57,054 | 9,404 | 66,458 |
| College Contributions Subsequent to the Measurement Date | 9,054 | 0 | 9,054 |
| **Total Deferred Outflows of Resources** | $ 79,448 | $ 49,962 | $ 129,410 |
| **Deferred Inflows of Resources** | | | |
| Differences between Expected and Actual Experience | $ 171,612 | $ 22,760 | $ 194,372 |
| Net Difference between Projected and Actual Earnings on OPEB Plan Investments | 0 | 28,099 | 28,099 |
| Changes of Assumptions | 43,773 | 490,486 | 534,259 |
| Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions | 135,322 | 126,046 | 261,368 |
| **Total Deferred Inflows of Resources** | $ 350,707 | $ 667,391 | $ 1,018,098 |

$9,054 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2021 | $ (87,725) | $ (133,692) | $ (221,417) |
| 2022 | (45,353) | (133,693) | (179,046) |
| 2023 | (44,803) | (122,433) | (167,236) |
| 2024 | (44,892) | (118,476) | (163,368) |
| 2025 | (40,112) | (102,574) | (142,686) |
| Thereafter | (17,428) | (6,561) | (23,989) |
| | $ (280,313) | $ (617,429) | $ (897,742) |

## NOTE 12 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

***Actuarial Assumptions - SERS***

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

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

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

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

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

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

The most recent experience study was completed for the five year period ended June 30, 2015.

## NOTE 12 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

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

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

***Discount Rate*** The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).

**NOTE 12 - DEFINED BENEFIT OPEB PLANS (CONTINUED)**

***Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| College's Proportionate Share of the Net OPEB Liability | $ 948,161 | $ 781,154 | $ 648,346 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| College's Proportionate Share of the Net OPEB Liability | $ 625,855 | $ 781,154 | $ 987,175 |

***Actuarial Assumptions – STRS***

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

| | | |
|---|---|---|
| Inflation | 2.50 percent | |
| Projected Salary Increases | 12.50 percent at age 20 to 2.50 percent at age 65 | |
| Payroll Increases | 3.00 percent | |
| Investment Rate of Return | 7.45 percent, net of investment expenses, including inflation | |
| Discount Rate of Return | 7.45 percent | |
| Health Care Cost Trend Rates | | |
| Medical | Initial | Ultimate |
| Pre-Medicare | 5.87 percent | 4.00 percent |
| Medicare | 4.93 percent | 4.00 percent |
| Prescription Drug | | |
| Pre-Medicare | 7.73 percent | 4.00 percent |
| Medicare | 9.62 percent | 4.00 percent |

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

## NOTE 12 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

The actuarial assumptions used in the June 30, 2019 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

***Discount Rate*** The discount rate used to measure the total OPEB asset was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB asset as of June 30, 2019.

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

## NOTE 12 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| College's Proportionate Share of the Net OPEB Liability (Asset) | $ (381,739) | $ (447,367) | $ (502,545) |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| College's Proportionate Share of the Net OPEB Liability (Asset) | $ (507,294) | $ (447,367) | $ (373,971) |

## NOTE 13 – RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the College contracted with Marsh USA Inc.as part of the OACC insurance consortium. Commercial property insurance is contracted with Zurich Insurance Company. The policy includes a $25,000 deductible.

Professional and general liability is protected by Markel Insurance Company with a $1,000,000 single occurrence limit, $3,000,000 annual aggregate limit and no deductible. Vehicles are also covered by Markel Insurance Company and hold a $500 deductible for comprehensive and collision. Automobile liability has a $1,000,000 combined single limit of liability, with no annual aggregate. An excess liability policy contracted with United Educators provides an additional $15,000,000 in excess of the $1,000,000 limits over all other liability coverage.

Ancillary coverage for cyber liability breach response is provided by Lloyd’s via CFC Underwriting Ltd. (Wright Specialty) with a $1,000,000 single occurrence limit and a $2,500 deductible.

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

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

## NOTE 14 – CONTRACTUAL COMMITMENTS

As of June 30, 2020, the College has no contractual commitments.

## NOTE 15 – OIL AND GAS LEASE

In December 2014, the College entered into an oil and gas lease with Rice Drilling D, LLC (Rice). The lease was renewed for an additional five year term during fiscal year 2020. The College received a one-time nonrefundable payment from Rice in the amount of $476,793. The lease gives Rice the right to explore and drill for oil and gas on approximately 60 acres of land. Rice will pay the College lease royalty payments of 20% on any oil and gas that is recovered from the land. As of the date of the financial statements, the value of any potential royalties cannot be determined.

## NOTE 16 – CONTINGENCIES

The College received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements and is 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 at June 30, 2020.

## NOTE 17 – COMPONENT UNIT DISCLOSURES

The Belmont College Foundation (Foundation) is a legally separate, tax-exempt component unit of Belmont College (College).

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

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

Equity in Pooled Cash and Cash Equivalents and Investments:

*Deposits* - Custodial credit risk is the risk of the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party in the event of a depository financial institution or counterparty failure to a transaction. The Foundation has not established a policy for deposits at this time.

As of June 30, 2020, the carrying amount of the Foundation's deposits was $43,221 and this bank balance was covered by FDIC.

*Investments* – Foundation investments are stated at fair value with changes in market value being recognized as gains and losses during the period in which they occur. The following summarizes the fair value of investments of the Foundation as of June 30, 2020:

| Investment Type | Fair Value |
|---|---|
| Cash and Money Market Funds | $ 24,061 |
| Equities | 483,660 |
| Fixed Income | 436,653 |
| Total | $ 944,374 |

The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the Foundation's recurring fair value measurements as of June 30, 2020. All of the

## NOTE 17 – COMPONENT UNIT DISCLOSURES (CONTINUED)

Foundation's investments are valued using quoted market prices (Level 1 inputs).

Support Provided to the College:

During the year ended June 30, 2020 the Foundation provided $94,683 to or on behalf of the College for scholarships and other purposes.

## NOTE 18 – SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the College. The College's investment portfolio and the investments of the pension and other employee benefit plan in which the College participates have incurred a significant fluctuation in fair value, consistent with the general fluctuation in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, due to the dynamic environment and changes in fiscal policies, the exact impact on the College's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

**Belmont College**
**Belmont County, Ohio**
*Required Supplementary Information*
*Schedule of the College's Proportionate Share of the Net Pension Liability*
*Last Seven Fiscal Years (1)*

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|
| ***School Employees Retirement System (SERS)*** | | | | | | | |
| College's Proportion of the Net Pension Liability | 0.03226370% | 0.03425880% | 0.03583860% | 0.03969220% | 0.04896900% | 0.05953000% | 0.05953000% |
| College's Proportionate Share of the Net Pension Liability | $ 1,930,394 | $ 1,962,065 | $ 2,141,277 | $ 2,905,103 | $ 2,794,219 | $ 3,012,779 | $ 3,540,058 |
| College's Covered Payroll | $ 1,106,830 | $ 1,122,104 | $ 1,181,993 | $ 1,229,171 | $ 1,565,941 | $ 1,839,646 | $ 1,997,637 |
| College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 174.41% | 174.86% | 181.16% | 236.35% | 178.44% | 163.77% | 177.21% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 70.85% | 71.36% | 69.50% | 62.98% | 69.16% | 71.70% | 65.52% |
| ***State Teachers Retirement System (STRS)*** | | | | | | | |
| College's Proportion of the Net Pension Liability | 0.02701058% | 0.03177750% | 0.03262272% | 0.03438499% | 0.03860959% | 0.04587075% | 0.04587075% |
| College's Proportionate Share of the Net Pension Liability | $ 5,973,227 | $ 6,987,159 | $ 7,749,597 | $ 11,509,693 | $10,670,561 | $11,157,354 | $ 13,290,567 |
| College's Covered Payroll | $ 3,024,886 | $ 3,452,879 | $ 3,475,229 | $ 3,850,879 | $ 3,943,907 | $ 4,991,715 | $ 5,530,862 |
| College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 197.47% | 202.36% | 223.00% | 298.88% | 270.56% | 223.52% | 240.30% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 77.40% | 77.31% | 75.30% | 66.80% | 72.10% | 74.70% | 69.30% |

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

**Belmont College**
**Belmont County, Ohio**
*Required Supplementary Information*
*Schedule of the College's Contributions - Pension*
*Last Ten Fiscal Years*

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| ***School Employees Retirement System (SERS)*** | | | | | |
| Contractually Required Contribution | $ 191,916 | $ 149,422 | $ 151,484 | $ 165,479 | $ 172,084 |
| Contributions in Relation to the Contractually Required Contribution | (191,916) | (149,422) | (151,484) | (165,479) | (172,084) |
| Contribution Deficiency (Excess) | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| College's Covered Payroll | $ 1,421,600 | $ 1,106,830 | $ 1,122,104 | $ 1,181,993 | $ 1,229,171 |
| Pension Contributions as a Percentage of Covered Payroll | 13.50% | 13.50% | 13.50% | 14.00% | 14.00% |
| ***State Teachers Retirement System (STRS)*** | | | | | |
| Contractually Required Contribution | $ 397,820 | $ 423,484 | $ 483,403 | $ 486,532 | $ 539,123 |
| Contributions in Relation to the Contractually Required Contribution | (397,820) | (423,484) | (483,403) | (486,532) | (539,123) |
| Contribution Deficiency (Excess) | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| College's Covered Payroll | $ 2,841,571 | $ 3,024,886 | $ 3,452,879 | $ 3,475,229 | $ 3,850,879 |
| Pension Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |

See accompanying notes to the required supplementary information.

**Belmont College**
**Belmont County, Ohio**
*Required Supplementary Information*
*Schedule of the College's Contributions - Pension (Continued)*
*Last Ten Fiscal Years*

| 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| $ 206,391 | $ 254,975 | $ 276,473 | $ 295,732 | $ 289,278 |
| (206,391) | (254,975) | (276,473) | (295,732) | (289,278) |
| $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| $ 1,565,941 | $ 1,839,646 | $ 1,997,637 | $ 2,198,751 | $ 2,301,337 |
| 13.18% | 13.86% | 13.84% | 13.45% | 12.57% |
| | | | | |
| $ 552,147 | $ 648,923 | $ 719,012 | $ 808,600 | $ 794,090 |
| (552,147) | (648,923) | (719,012) | (808,600) | (794,090) |
| $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| $ 3,943,907 | $ 4,991,715 | $ 5,530,862 | $ 6,220,000 | $ 6,108,385 |
| 14.00% | 13.00% | 13.00% | 13.00% | 13.00% |

**Belmont College**
**Belmont County, Ohio**
*Required Supplementary Information*
*Schedule of the College's Proportionate Share of the Net OPEB Liability/(Asset)*
*Last Four Fiscal Years (1)*

| | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| ***School Employees Retirement System (SERS)*** | | | | |
| College's Proportion of the Net OPEB Liability | 0.03106200% | 0.03406300% | 0.03554160% | 0.03906673% |
| College's Proportionate Share of the Net OPEB Liability | $ 781,154 | $ 945,002 | $ 953,843 | $ 1,113,546 |
| College's Covered Payroll | $ 1,106,830 | $ 1,122,104 | $ 1,181,993 | $ 1,229,171 |
| College's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 70.58% | 84.22% | 80.70% | 90.59% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 15.57% | 13.57% | 12.46% | 11.49% |
| ***State Teachers Retirement System (STRS)*** | | | | |
| College's Proportion of the Net OPEB Liability/(Asset) | 0.02701100% | 0.03177800% | 0.03262272% | 0.03438499% |
| College's Proportionate Share of the Net OPEB Liability/(Asset) | $ (447,367) | $ (510,632) | $ 1,272,818 | $ 1,838,918 |
| College's Covered Payroll | $ 3,024,886 | $ 3,452,879 | $ 3,475,229 | $ 3,850,879 |
| College's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll | -14.79% | -14.79% | 36.63% | 47.75% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset) | 174.70% | 176.00% | 47.10% | 37.30% |

(1) Information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

**Belmont College**
**Belmont County, Ohio**
*Required Supplementary Information*
*Schedule of the College's Contributions - OPEB*
*Last Ten Fiscal Years*

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| ***School Employees Retirement System (SERS)*** | | | | | |
| Contractually Required Contribution (1) | $ 9,054 | $ 15,113 | $ 21,160 | $ 15,549 | $ 14,804 |
| Contributions in Relation to the Contractually Required Contribution | (9,054) | (15,113) | (21,160) | (15,549) | (14,804) |
| Contribution Deficiency (Excess) | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| College's Covered Payroll | $ 1,421,600 | $ 1,106,830 | $ 1,122,104 | $ 1,181,993 | $ 1,229,171 |
| OPEB Contributions as a Percentage of Covered Payroll (1) | 0.64% | 1.37% | 1.89% | 1.32% | 1.20% |
| ***State Teachers Retirement System (STRS)*** | | | | | |
| Contractually Required Contribution | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Contributions in Relation to the Contractually Required Contribution | 0 | 0 | 0 | 0 | 0 |
| Contribution Deficiency (Excess) | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| College's Covered Payroll | $ 2,841,571 | $ 3,024,886 | $ 3,452,879 | $ 3,475,229 | $ 3,850,879 |
| OPEB Contributions as a Percentage of Covered Payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

(1) Includes surcharge

See accompanying notes to the required supplementary information.

**Belmont College**
**Belmont County, Ohio**
*Required Supplementary Information*
*Schedule of the College's Contributions - OPEB (Continued)*
*Last Ten Fiscal Years*

| 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| $ 35,297 | $ 30,069 | $ 32,842 | $ 38,496 | $ 36,771 |
| (35,297) | (30,069) | (32,842) | (38,496) | (36,771) |
| $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| $ 1,565,941 | $ 1,839,646 | $ 1,997,637 | $ 2,198,751 | $ 2,301,337 |
| 2.25% | 1.63% | 1.64% | 1.75% | 1.60% |
| | | | | |
| $ 0 | $ 49,917 | $ 55,309 | $ 62,200 | $ 61,084 |
| 0 | (49,917) | (55,309) | (62,200) | (61,084) |
| $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| $ 3,943,907 | $ 4,991,715 | $ 5,530,862 | $ 6,220,000 | $ 6,108,385 |
| 0.00% | 1.00% | 1.00% | 1.00% | 1.00% |

## Note 1 - Net Pension Liability

### *Changes in Assumptions - SERS*

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3.0 percent was used.

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

### *Changes in Assumptions – STRS*

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

### *Changes in Benefit Terms - SERS*

With the authority granted to the Board under SB 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

### *Changes in Benefit Terms - STRS*

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

## Note 2 - Net OPEB Liability (Asset)

### *Changes in Assumptions – SERS*

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:
Municipal Bond Index Rate:

| | |
|---|---|
| Fiscal year 2020 | 3.13 percent |
| Fiscal year 2019 | 3.62 percent |
| Fiscal year 2018 | 3.56 percent |
| Fiscal year 2017 | 2.92 percent |

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

| | |
|---|---|
| Fiscal year 2020 | 3.22 percent |
| Fiscal year 2019 | 3.70 percent |
| Fiscal year 2018 | 3.63 percent |
| Fiscal year 2017 | 2.98 percent |

Pre-Medicare

| | |
|---|---|
| Fiscal year 2020 | 7.00 percent initially, decreasing to 4.75 percent |
| Fiscal year 2019 | 7.25 percent initially, decreasing to 4.75 percent |
| Fiscal year 2018 | 7.50 percent initially, decreasing to 4.00 percent |

Medicare

| | |
|---|---|
| Fiscal year 2020 | 5.25 percent initially, decreasing to 4.75 percent |
| Fiscal year 2019 | 5.375 percent initially, decreasing to 4.75 percent |
| Fiscal year 2018 | 5.50 percent initially, decreasing to 5.00 percent |

### *Changes in Assumptions – STRS*

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

### *Changes in Benefit Terms - SERS*

There have been no changes to the benefit provisions.

***Changes in Benefit Terms – STRS***

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

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

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. This was subsequently extended, see above paragraph.

December 7, 2020

Board of Trustees
Belmont College
Belmont County, Ohio
68094 Hammond Road
St. Clairsville, OH 43950

**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***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Belmont College, Belmont County, Ohio (the "College"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 7, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the College.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

New Philadelphia, Ohio

December 7, 2020

Board of Trustees
Belmont College
Belmont County, Ohio
68094 Hammond Road
St. Clairsville, OH 43950

**Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance**

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

We have audited Belmont College's, Belmont County, Ohio (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2020. The College's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

***Management's Responsibility***

Management is responsible for compliance with the requirements of 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; 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 Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

***Report on Internal Control over Compliance***

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

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

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

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

Rea & Associates, Inc.

New Philadelphia, Ohio

BELMONT COLLEGE
BELMONT COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2020

| | Federal CFDA Number | Federal Disbursements | Passed Through to Subrecipients |
|---|---|---|---|
| U.S. Department of Education | | | |
| *Direct Awards* | | | |
| Student Financial Aid Cluster | | | |
| Federal Pell Grant | 84.063 | $ 1,485,616 | $ 0 |
| Federal Work Study | 84.033 | 27,092 | 0 |
| Federal Direct Student Loans | 84.268 | 988,941 | 0 |
| Supplemental Educational Opportunity Grant | 84.007 | 70,506 | 0 |
| Total Student Financial Aid Cluster | | 2,572,155 | 0 |
| Education Stabilization Fund - Higher Education Emergency Relief Fund | 84.425E | 74,345 | 0 |
| *Passed Through Ohio Department of Education* | | | |
| Vocational Education - Basic Grants to States | 84.048 | 45,255 | 0 |
| Total U.S. Department of Education | | 2,691,755 | 0 |
| Total Federal Awards | | $ 2,691,755 | $ 0 |

See accompanying notes to the schedule of expenditures of federal awards

BELMONT COLLEGE
BELMONT COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(B)(6)
For Fiscal Year Ended June 30, 2020

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes federal grant activity of Belmont College (the College) includes the federal award activity of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

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

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The College has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3: FEDERAL DIRECT LOAN PROGRAM**

The College participates in the William D. Ford Federal Direct Loan Program. The College originates the loans which are then funded through the U.S. Department of Education.

| | |
|---|---|
| Federal Subsidized Loans | $ 362,670 |
| Federal Unsubsidized Loans | 626,271 |
| Total Federal Direct Student Loans | $ 988,941 |

**Belmont College**
**Belmont County, Ohio**
*Schedule of Findings and Questioned Costs*
*2 CFR Section 200.515*
*June 30, 2020*

## 1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | None Reported |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other significant deficiencies in internal control reported for major federal programs? | None Reported |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| (d)(1)(vii) | Major Programs (list):<br>Student Financial Assistance Cluster:<br>Federal Pell Grant<br>Federal Work Study<br>Federal Direct Student Loans<br>Supplemental Educational Opportunity Grant | <br>CFDA #'s:<br>84.063<br>84.033<br>84.268<br>84.007 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: >$750,000<br>Type B: All others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR §200.520? | Yes |

## 2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

**None noted.**

## 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

**None noted.**

OHIO AUDITOR OF STATE
**KEITH FABER**

**BELMONT COLLEGE**

**BELMONT COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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

**Certified for Release 12/31/2020**

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