Eastern Gateway Community College

Jefferson County, Ohio

Audited Financial Statements

For the Fiscal Years Ended
June 30, 2018 and 2017

EASTERN GATEWAY COMMUNITY COLLEGE
JEFFERSON COUNTY, OHIO
JUNE 30, 2018 and 2017

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Rea & associates a brighter way

March 7, 2019

Board of Trustees
Eastern Gateway Community College
110 John Scott Highway
Steubenville, Ohio 43952

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 Eastern Gateway Community College, Jefferson County, Ohio (the College), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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, 2018, 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 described in Note 2 to the basic financial statements, the 2017 basic financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

As described in Note 2, the College restated the net position balances to account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* Our opinion is not modified with respect to these matters.

Other Matters

The financial statements of the College as of the year ended June 30, 2017, were audited by other auditors whose report dated March 30, 2018, expressed an unmodified opinion on those statements.

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* and *the Schedule of the College's Contributions-OPEB* as listed in the table of contents, to 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 March 7, 2019 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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

Eastern Gateway Community College

Management Discussion and Analysis

Introduction

Our discussion and analysis of Eastern Gateway Community College's (the "College") financial performance provides an overview of The College's financial activities for the year ended June 30, 2018 and June 30, 2017, with selected comparative information for the year ended June 30, 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto which follow this section.

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

The College serves Trumbull, Mahoning, Columbiana and Jefferson Counties in eastern Ohio and the Mahoning Valley. Educational programs and services are delivered at the main Jefferson county campus and its Valley Center site in downtown Youngstown. Distance learning courses enroll students from both outside and within the geographic region. On-line student growth in fiscal year 2018 was approximately 8,500. At The College, access means geographic convenience, affordability, and resources to allow students to matriculate successfully.

Using the Financial Statements

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

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

During fiscal year 2018, the College implemented GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions.*

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

Statement of Net Position

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

Statement of Net Position

	2018	Restated **2017**	**2016**
Assets and Deferred Outflows			
Cash, cash equivalents, and investments	$1,648	$1,299	$2,121
Accounts receivable - Net	12,936	14,268	3,074
Other assets	629	409	792
Capital assets - Net	15,793	14,849	13,992
Total assets	31,006	30,825	19,979
Deferred outflows	7,581	4,682	1,971
Total assets and deferred outflows	**$38,587**	**$ 35,507**	**$21,950**
Liabilities and Deferred Inflows			
Accounts payable and accrued expenses	$1,898	$957	$699
Unearned revenue	6,974	10,819	379
Long-term liabilities – current	844	419	182
Long-term liabilities	26,987	24,829	23,301
Total liabilities	36,703	37,024	24,561
Deferred inflows	3,565	3,228	2,115
Total liabilities and deferred inflows	40,268	40,252	26,676
Net Position			
Net investment in capital assets	14,278	13,214	12,276
Restricted	856	943	524
Unrestricted	(16,815)	(18,902)	(17,526)
Total net position	(1,681)	(4,745)	(4,726)
Total liabilities, deferred inflows, and net position	**$38,587**	**$35,507**	**$21,950**

Assets

Cash and cash equivalents, restricted cash, and investments make-up 4.3 percent, 3.7 percent, and 9.7 percent of total assets and deferred outflows at June 30, 2018, 2017, and 2016, respectively. Cash and cash equivalents, restricted cash, and investments include bank deposits, cash on hand, U.S. government agency securities, and Treasury notes. Cash and cash equivalents, restricted cash, and investments increased $0.3 million at June 30, 2018 from June 30, 2017. This was primarily due to unspent proceeds relating to the $2.0 million Tax Anticipation loan.

Accounts receivable make up 33.5 percent, 40.2 percent, and 14.0 percent of the total assets and deferred outflows at June 30, 2018, 2017, and 2016, respectively. The decrease in fiscal year 2018 was attributable primarily to a decrease in current student receivables caused by changes in the registration process. Accounts receivable at June 30 include *(in thousands)*:

	2018	2017	2016
Grants	$273	$358	$485
Other	458	138	57
Tuition and other	12,760	14,486	2,859
Collaboration agreement	450	500	679
Property taxes	1,034	923	889
Allowance for doubtful accounts	(2,039)	(2,137)	(1,895)
Total	**$ 12,936**	**$ 14,268**	**$ 3,074**

Capital assets, net of depreciation, make up 40.9 percent, 41.8 percent, and 63.7 percent of the total assets and deferred outflows at June 30, 2018, 2017, and 2016, respectively. The increase in the capital assets percentage in fiscal year 2018 is due primarily to the construction in progress of the Gator Center. Other assets include prepaid expenses and other College inventories.

Liabilities

The $.16 million increase for fiscal year 2018 in total liabilities and deferred inflows was primarily due to the implementation of GASB 75 which increased liabilities by $4.9 million, issuance of a Tax Anticipation Loan which had an outstanding balance of $1.9 million at year end and an increase of $1 million in accrued liabilities due to growth in operations. These increases were offset by a decrease of $3.8 million in unearned revenue due to changes in registration dates and a $4.1 million decrease in net pension liabilities.

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

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

On February 16, 2018 the College entered into a $2.0 million Tax Anticipation Note maturing at June 1, 2022; interest is 2.55% per annum. Long-term liabilities at June 30 include *(in thousands)*:

	2018	Restated 2017	2016
Bonds			
OAQDA 2014 Series A	$667	$ 785	$901
OAQDA 2014 Series B	820	820	820
Total bonds	1,487	1,605	1,721
Loans payable	104	123	-
Tax anticipation notes	1,880	-	-
Net pension liab – SERS	6,799	7,089	4,936
Net pension liab – STRS	11,925	15,689	15,987
Net OPEB liab – SERS	2,912	-	-
Net OPEB liab – STRS	1,959	-	-
Compensated absences	765	742	839
Total	$27,831	$25,248	$23,483

Net Position

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

	2018	Restated 2017	2016
Net investment in capital assets	$ 14,277,653	$ 13,213,661	$ 12,276,093
Restricted Non-expendable:			
Scholarships	64,555	64,555	64,120
Restricted Expendable:			
Scholarships	406,331	400,242	197,504
Capital	185,262	116,559	223,902
Agency	3,575	3,706	-
Educational	196,760	357,933	37,887
Unrestricted	(16,815,025)	(18,902,357)	(17,525,624)
Total net position	$ (1,680,889)	$ (4,745,701)	$ (4,726,118)

The scholarships assets are the College's Scholarship Fund, which is available for scholarships for students.

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

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

Because of a prior-period adjustment of $833,008, for un-accrued Summer 2017 Union Collaboration scholarships, the total net position decreased $19,583 for fiscal year ended June 30, 2017. For fiscal year ended June 30, 2018, the total net position increased by $8,283,368 due to increased enrollment from 2017 and decreases in net pension liabilities. The change in net position for 2018 was then offset by the implementation of GASB 75 which resulted in a decrease of $5,218,556 in 2018 beginning net position.

Statement of Revenue, Expenses, and Changes in Net Position

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

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

Statement of Revenue, Expenses, and Changes in Net Position

	2018	2017	2016
Revenue			
Tuition and fees, net	$ 22,558	$8,608	$4,323
Grants and contracts	3,592	3,285	1,983
Auxiliary services	1	123	169
Other operating revenues	1,647	1,376	(1,218)
Non-operating revenue (expenses)	24,940	17,883	13,346
Total revenue	52,738	31,275	1 8,603
Expenses			
Education and general	10,310	5,697	6,786
Public service	677	1,250	326
Academic support	328	656	776
Student services	4,130	3,533	2,434
Institutional support	6,293	8,610	4,298
Operations and maintenance of plant	1,321	1,098	1,018
Depreciation	757	769	628
Scholarships	20,639	8,213	1,671
Auxiliary services	-	123	50
Other operating expenses	-	1,346	
Total expenses	44,455	31,295	17,978
Increase (decrease) in net position	8,283	(20)	625
Net position - Beginning of year	(4,746)	(4,726)	(5,351)
GASB 75 implementation	(5,218)	-	-
-Net position - End of year	**$ (1,681)**	**$ (4,746)**	**$ (4,726)**

Revenues

Revenues for fiscal year 2018 increased by $21.5 million or 68.6 percent over fiscal year 2017. The change derives primarily from the following three functional categories of revenue:

1. Student tuition and fees are reported net of scholarship allowance. The 162.1 percent growth over fiscal year 2017 is the result of an approximate 8,500 on-line union enrollment increase.

2. Other operating revenue increased $.3 million or 21.8 percent growth over fiscal year 2017 is the result of a profitable On-line Union Collaboration partner.

3. Non-operating revenue increased by $7.1 million, or 39.9 primarily due to Federal Grants and Contracts growth - $6.0 million, State Subsidy growth - $1.1 million.

Expenses

Expenses for fiscal year 2018 increased by $13.2 million, or 42.1 percent, over fiscal year 2017. The change derives primarily from the following three functional categories of expense:

1. Institutional support expenses decreased by $2.3 million, or 26.9 percent, over fiscal year 2017. This was primarily the result of decreases in net pension liabilities which were offset by increases due to growth in the on-line union collaboration.

2. Education and general expenses increased by $4.6 million or 81.0 percent, over fiscal year 2017, due to enrollment growth.

3. Scholarship expenses increased by $12.4 million, or 151.3 percent, over fiscal year 2017 due to $9.4 million in AFSCME scholarships.

Statement of Cash Flows

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

Statement of Cash Flows

	2018	2017	2016
Net cash used in operating activities	$(24,521)	$(17,774)	$(11,225)
Net cash provided by non-capital financing activities	24,314	16,537	10,505
Net cash used in capital and related financial activities	562	1,819	31
Net cash provided by investing activities	5	16	17
Net (decrease) increase in cash and cash equivalents	360	598	(672)
Cash and cash equivalents - Beginning of year	1,021	423	1,095
Cash and cash equivalents - End of year	**$ 1,381**	**$1,021**	**$ 423**

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

Capital Assets

Capital assets, net of accumulated depreciation, totaled $15.8 million, $14.8 million, and $14.0 million at June 30, 2018, 2017, and 2016, respectively, an increase of $1.0 million and an increase of $0.8 million in fiscal years 2018 and 2017, respectively. Changes in capital assets during fiscal years 2018, 2017, and 2016 included (*in millions*):

	2016	Net Additions/ Reductions	2017	Net Additions/ Reductions	2018
Land	$0.7	$0.0	$0.7	$0.0	$0.7
Building and improvements	22.3	1.3	23.6	0.0	23.6
Equipment	2.4	1.2	3.6	0.1	3.7
Construction in progress	0.9	(0.9)	0.0	1.6	1.6
Accumulated depreciation	(12.3)	(0.8)	(13.1)	(0.7)	(13.8)
Total	**$14.0**	**$0.8**	**$14.8**	**$1.0**	**$15.8**

Economic Impact on Future Operations

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

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

For fiscal year 2015, the enrollment component of SSI was eliminated and replaced with a combination of course completions (50 percent), success points (25 percent), and completion metrics such as associate degrees, certificates, and transfers (25 percent). At-Risk or access category weights were assigned to eligible students (low-income, adult, minority). A statewide funding consultation group comprised of representatives of each of the 23 Ohio community colleges was established to develop the SSI funding components and weights for fiscal years 2015 and 2016, which they completed and added an additional risk category of academic preparedness for the 2016-2017 biennium budget. There were no additional changes in the SSI formula for fiscal year 2018.

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

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

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

Strategic Planning

The College continues to work on implementing its 2017-2020 Strategic Plan. Strategic Planning groups meet and update goals and strategies on a quarterly basis to ensure that the plan is moving forward in a cohesive and ongoing manner. This plan is designed to establish common goals and objectives across the College and provide a foundation of understanding for all stakeholders to strive toward in the future. It became evident that through the process of implementing the Strategic Plan that the institution needed to undergo the process of reviewing and possibly updating the institutional Mission and Vision statements.

To this end, the College worked with large groups of stakeholders across the institution to collaboratively develop an update Vision and Mission that more accurately reflects the focus of Eastern Gateway Community College for the future growth and planning initiatives. Both have been submitted to the Board of Trustees for review and approval and will be adopted across the institution once that process has been completed. The plan is for the team to review the current Strategic Plan in light of the revised Mission and Vision as well as the six key priorities that the Board of Trustees have established for the College focus for the next two years. We will determine in the next quarterly review meeting if the current strategic plan is still relevant in reflecting these changes or if some of the goals and strategies should be sunset and new goals added to better reflect the growth and changes the college has undergone over the past two years.

Currently, the College's Strategic Plan contains three distinctive strategic goals: (1) *EGCC will engage every student and provide the support needed to achieve student success;* (2) *EGCC will operate within a framework of continuous improvement;* and (3) *EGCC will explore and implement strategies to ensure financial stability and vitality into the future utilizing 2016 as our base year.* KPI's and objectives have been established for each goal. Teams that are representative of the stakeholder groups across the College as well as representative of the College locations have been assigned to each goal and are actively working to achieve the goals established within the teams.

The College has established a College wide meeting schedule to report updates and progress on goals on a quarterly basis throughout the year with the most recent progress report meeting scheduled for November 30, 2018. On-going work is being documented and tracked through the TracDat data tracking and reporting system for ease of monitoring and performance reporting.

Academics

The 2017-2018 academic year has been a year of changes at the College. During this timeframe the College has undergone the transition of two academic leaders with an Interim Provost between the two tenures. The College is now again under the leadership of the Interim Academic VP of Academic Affairs. Under this new leadership, the academic core has been focused on meeting the strategic priorities established as well as addressing long-standing issues with student persistence and completion across the College.

This has taken place on several fronts. In March 2017, the College developed an active Student Success team that was a consolidation of the prior HLC Persistence and Completion Academy team, Achieving the Dream team and the Student Success Leadership Imitative team. The team is a representative group that includes several lead faculty members from both locations as well as academic leadership, the Director of Institutional Effectiveness and student services representation. This team is extremely active in state initiatives for supporting student success as well as with the HLC Persistence and Completion Academy. With renewed focus and support, the team was recently named as a mentor institution for the academy due to the progress that has been completed. The work of these committees takes into consideration the 2016-2018 Completion Plan as prescribed in Ohio Revised Code Section 3345.81 and to leverage the activities initiated in 2016 as a focus on developing countermeasures to address those loss points, once they were identified and data collected.

Academic leadership is working collaboratively with faculty and academic leaders across both campuses to focus on improvements to curriculum by embedding OER materials wherever possible, expanding quality course offerings for the College and addressing the need for a more active assessment of student success and student learning across the curriculum.

In Spring 2017, the College undertook the development of a “One Stop Shop” approach for student support and engagement. Renovation and restructuring of facilities and personnel is now completed which allows students to manage all aspects of enrollments, testing and registration as well as counseling in one centralized location. This is a beautiful and actively engaging location for all students and it is strongly believed that this change will have a positive impact on student service and support throughout the College.

Enrollment and Retention

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

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

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

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

Finally, the College is in the process of mapping the general education outcomes into all of the programs. This is begin mapped into the online tracking and reporting system of TracDat and will allow faculty and administration to run reports and track assessment progress in this area. This process was completed in March 2018.

Enrollment and Retention (Cont'd)

Fall 2017 Enrollment

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

Enrollment Breakdown	New	Cont	Ret
Steubenville	249	177	545
Youngstown	293	197	413
Online	2,548	507	2670
CCP	609	15	339
Total EGCC	3,706	896	3968
Credit Hours	**Total**	**Targets**	**% to Target**
Steubenville	9,871	11,122	89%
Youngstown	8,793	9,183	96%
Online	37,025	42,750	87%
CCP	5,139	7,350	70%
Total EGCC	60,891	70,405	86%
FTE	**Total**		
Steubenville	658.05		
Youngstown	586.21		
Online	2,468.33		
CCP	342.60		
Total EGCC	4,059.40		

Retention between Fall 2016 and Fall 2017

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

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

**CCP- College Credit Plus*

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

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

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

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

College Relations

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

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

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

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

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

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

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

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

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

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

Energy Management

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

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

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

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

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

Deferred Maintenance

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

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

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

Capital Projects – State of Ohio Funding

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

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

Technology Services

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

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

In FY17 the Technology Services Department supported this effort by:

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

FY18:

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

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

In FY17 the Technology Services Department supported this effort by:

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

For FY18:

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

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

In FY17 and FY18 the Technology Services Department supported this effort by:

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

EASTERN GATEWAY COMMUNITY COLLEGE
Statements of Net Position
June 30, 2018 and 2017

	EGCC 2018	Restated EGCC 2017	Component Unit Foundation 2018	Restated Component Unit Foundation 2017
Assets				
Current assets				
Cash and cash equivalents	$ 998,362	$ 691,915	$ 265,109	$ 181,303
Short-term investments	10,000	10,000	-	-
Student accounts receivable, net	10,722,175	12,479,100	-	-
Property tax receivable	1,034,505	922,702	-	-
Other receivables	1,179,609	865,875	-	-
Prepaid expenses	627,006	399,936	-	-
Inventory	1,660	9,655	-	-
Total current assets	14,573,317	15,379,183	265,109	181,303
Non-current assets				
Restricted cash and cash equivalents	383,162	329,349	-	-
Endowment investments	256,245	267,725	564,125	489,595
Capital assets, net	15,793,468	14,848,599	-	-
Total non-current assets	16,432,875	15,445,673	564,125	489,595
Total assets	31,006,192	30,824,856	829,234	670,898
Deferred Outflow of Resources				
Pensions:				
SERS	2,168,886	1,936,522	-	-
STRS	4,852,053	2,745,018	-	-
OPEB:			-	-
SERS	294,307	-	-	-
STRS	265,560	-	-	-
Total deferred outflow of resources	7,580,806	4,681,540	-	-
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	1,837,355	866,010	-	-
Accrued wages	60,351	90,636	-	-
Unearned revenue	6,973,783	10,819,534	-	-
Compensated absences - current portion	255,265	282,563	-	-
Long-term debt - current portion	588,965	136,390	-	-
Total current liabilities	9,715,719	12,195,133	-	-
Non-current liabilities				
Bonds payable	1,366,157	1,487,076	-	-
Loans Payable	1,516,376	104,422	-	-
Net pension liability - SERS	6,799,287	7,088,607	-	-
Net pension liability - STRS	11,924,837	15,689,494	-	-
Net OPEB liability - SERS	2,911,960	-	-	-
Net OPEB liability - STRS	1,958,573	-	-	-
Compensated absences	509,684	459,788	-	-
Total non-current liabilities	26,986,874	24,829,387	-	-
Total liabilities	36,702,593	37,024,520	-	-
Deferred Inflows of Resources				
Property taxes	537,943	545,652	-	-
Pensions:				
SERS	137,067	181,748	-	-
STRS	2,364,780	2,500,177	-	-
OPEB:				
SERS	284,020	-	-	-
STRS	241,484	-	-	-
Total deferred inflows of recources	3,565,294	3,227,577	-	-
Net Position				
Net investments in capital assets	14,277,653	13,213,661	-	-
Restricted for				
Non-expendable				
Scholarships	64,555	64,555	312,815	223,530
Expendable				
Scholarships	406,331	400,242	290,129	267,576
Capital	185,262	116,559	82,251	52,251
Education and General	196,760	357,933	-	-
Agency	3,575	3,706	-	-
Unrestricted Fund Balance	(16,815,025)	(18,902,357)	144,039	127,541
Total net position	$ (1,680,889)	$ (4,745,701)	$ 829,234	$ 670,898

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

EASTERN GATEWAY COMMUNITY COLLEGE
Statement of Revenues, Expenses and Change in Net Position
For the Twelve Months Ending June 30, 2018

	EGCC 2018	Restated EGCC 2017	Component Unit Foundation 2018	Restated Component Unit Foundation 2017
Revenues				
Operating revenues				
Tuition and student fees, net	$ 22,558,204	$ 8,607,801	$ -	$ -
Federal grants and contracts	1,721,575	3,139,792	-	-
Auxiliary enterprises revenue	1	123,188	-	-
State grants and contracts	1,860,114	100,000	-	-
Local grants and contracts	10,795	44,787	-	-
Other operating revenue	902,205	1,376,411	-	-
Partnership income	700,810	-	-	-
Donations	44,690	-	541,232	214,998
Total operating revenue	27,798,394	13,391,979	541,232	214,998
Expenses				
Operating expenses:				
Education and general	10,310,379	5,697,145	31,946	9,847
Public services	677,126	1,249,672	-	-
Academic support	327,419	656,328	-	-
Student services	4,130,259	3,532,745	-	-
Institutional support	6,291,772	8,609,770	-	-
Operation and maintenance of plant	1,321,698	1,097,759	-	-
Scholarships and fellowships	20,638,595	8,212,815	440,315	174,737
Auxiliary enterprises	160	123,188	-	-
Partnership loss	-	1,345,623	-	-
Depreciation expense	757,472	769,128	-	-
Total operating expenses	44,454,880	31,294,173	472,261	184,584
Operating (loss) income	(16,656,486)	(17,902,194)	68,971	30,414
Non-operating revenue(expenses)				
Capital funds	91,902	119,302	-	-
State grants and contracts	8,839,185	7,760,903	-	-
Federal grants and contracts	15,041,371	9,096,522	-	-
Investment income (loss)	5,266	37,796	89,365	55,050
Interest expense	(126,277)	(60,662)	-	-
Property taxes	1,088,407	928,750	-	-
Total non- operating revenue (expenses)	24,939,854	17,882,611	89,365	55,050
Change in net position	8,283,368	(19,583)	158,336	85,464
Net position				
Net Position, begining of the year	(4,745,701)	(4,726,118)	670,898	585,434
Cumulative effect of GASB 75 Implementation	(5,218,556)	-	-	-
Net Position, begining of the year, as restated	(9,964,257)	(4,726,118)	670,898	585,434
Net Position, end of year	**$ (1,680,889)**	**$ (4,745,701)**	**$ 829,234**	**$ 670,898**

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

EASTERN GATEWAY COMMUNITY COLLEGE
Statement of Cash Flows
For the Twelve Months Ending June 30, 2018 and 2017

	EGCC 2018	Restated EGCC 2017
Cash flow from operating activities		
Student tuition and fees	$ 3,828,075	$ 2,702,117
Grants and contracts	1,968,151	3,284,579
Payments to suppliers	(14,251,485)	(8,115,523)
Employee and related payments	(17,669,422)	(15,877,526)
Auxiliary enterprise	1	123,188
Other Income (loss)	1,603,215	109,149
Net cash used by operating activities	(24,521,465)	(17,774,016)
Cash flows from non-capital financiang activities		
State appropriations	8,839,185	7,760,903
Local property tax receipts	1,088,407	928,750
Grants and contracts	15,041,371	9,834,369
Proceeds from debt	2,000,000	-
Principal paid on debt	(120,000)	-
Interest paid on debt	(13,883)	-
Non-capital gifts and endowments received	44,690	-
Payments to partnership	(2,565,955)	(1,986,541)
Net cash provided by non-capital financiang activities	24,313,815	16,537,481
Cash flows from capital and related financing activities		
Capital grants receivied	2,546,603	3,529,840
Proceeds from capital debt	-	122,613
Purchases of capital assets	(1,704,176)	(1,625,783)
Principle payments on bond payable	(136,390)	(115,541)
Interest payments on bond payable	(143,393)	(91,661)
Net cash provided by capital and related financiang activities	562,644	1,819,468
Cash flows from investing activities		
Investment income	5,266	15,752
Net cash provided by investing activities	5,266	15,752
Net (decrease) increase in cash	360,260	598,685
Cash and cash equivalents, beginning of year	1,021,264	422,579
Cash and cash equivalents, end of year	**$ 1,381,524**	**$ 1,021,264**

Reconciliation of operating (loss) income to net cash used by operating activities:		
Operating (loss) income	$ (16,656,486)	$ (17,902,194)
Adjustments to reconcile operating (loss) income to net cash used by operating activities:		
Depreciation	757,472	769,128
Net pension/OPEB activity	(6,955,840)	224,065
Miscellaneous	-	115,552
(Increase) decrease in assets:		
Receivables, net	1,443,191	(11,162,152)
Inventories	7,995	208,364
Prepaid expense	(227,070)	173,933
(Decrease) increase in liabilities:		
Accounts payable and accrued liabilities	941,060	296,856
Unearned revenue	(3,845,751)	9,607,718
Deposits	(8,634)	(8,634)
Compensated absences	22,598	(96,652)
Net cash used by operating activites	$ (24,521,465)	$ (17,774,016)

Non-cash capital and related financing activities:		
Asset acquired through a gift	44,690	16,081
Change in fair value of investments	53,756	23,462

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

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

Eastern Gateway Community College (the "College" or "EGCC") is a political subdivision established for the purpose of exercising the rights and privileges conveyed to it by the constitution and the laws of the State of Ohio. The College operates under an appointed Board of Trustees. Management believes the financial statements included in this report represent all of the funds of the College over which the College has the ability to exercise direct operating control.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Net Position Classifications

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Classification of Revenues

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

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

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

Use of Estimates

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

Cash Equivalents

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

Investments

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* as amended by GASB Statement No. 72, *Fair Value Measurement and Application*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position.

Inventory

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

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Ohio. Accounts receivable also include amounts due from the federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. This also includes receivables due from our College partners, Higher Education Partners ("HEP"). Property taxes receivable include estimated amounts due at June 30, 2018 and 2017.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

All assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 40 years for buildings and building improvements, 10 years for equipment and furniture other than computer equipment, and 3 years for computer equipment.

Unearned Revenues

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

Compensated Absences

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

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

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

Non-current Liabilities

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

Deferred Outflow/Inflow of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflow of resources. Deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resource (expense/expenditure) until then. For the College, deferred outflow of resources include amounts related to pensions and OPEB plans, which are explained in Notes 9 and 10.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflow of resources. Deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflow of resources includes property taxes, pensions and OPEB plans. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on the statement of net position. The deferred inflow of resources related to pensions and OPEB plans are explained in Notes 9 and 10.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions and Other Postemployment Benefits

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

Income Tax

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

Scholarship Discounts and Allowances

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

Reclassifications

Certain amounts previously reported in the June 30, 2017 financial statements have been reclassified to conform to the reporting presentation of the financial statements at June 30, 2018.

Change in Accounting Principles and Restatement of Net Position

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

For the fiscal year ended June 30, 2018, the College has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments.*

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the College.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. These changes were incorporated in the College's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the College.

In addition, the College identified an error in the 2017 financial statements that resulted in an understatement of unearned revenue, scholarships and fellowships expense and ending net position of $833,008. The 2017 basic financial statements have been updated to reflect this restatement.

Restated Net Position, June 30, 2017 (see above)	(4,745,701)
Adjustments:	
Net OPEB Liability	(5,245,423)
Deferred Outflows - Payments Subsequent to Measurement Date	26,867
Restated Net Position, July 1,	(9,964,257)

Other than employer contributions subsequent to the measurement date, the College made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through March 7, 2019 the date the financial statements were available to be issued.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

The College's Board of Trustees is responsible for selecting depositories and investing funds. Protection for the College's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by financial institutions as a security for repayment, or by 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 the State to secure the repayment of all public monies deposited in the financial institution.

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

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

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

As of June 30, 2018 the College had the following cash and cash equivalents:

Description	Carrying Amount	Bank Balance
Checking and savings account	$ 998,362	$ 1,216,709
Restricted cash	383,162	383,162
Huntington Bank Escrow Construction Fund	-	-
Huntington Bank Escrow Expense Fund	-	-
Total cash and cash equivalents	$ 1,381,524	$ 1,599,871

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

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

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

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

Custodial Credit Risk: Of the June 30, 2018 bank balance of $1,599,871, the Federal Depository Insurance Corporation insured $250,000 and the balance of $1,349,871 was exposed to custodial credit risk because it was collateralized by U.S. Government Securities not in the College's name. Of the June 30, 2017 bank balance of $1,111,238, the Federal Depository Insurance Corporation insured $254,964 and the balance of $420,491 was exposed to custodial credit risk because it was collateralized by U.S. Government Securities not in the College's name.

Investments
The College categorizes its fair value measurements at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

Investment Type	Level 1	Level 2	Level 3	Total
Negotiable Certificates of Deposit	-	10,000	-	10,000
Equity & Fixed Income	267,725	-	-	267,725
Total	267,725	10,000	-	277,725

As of June 30, 2018 the College's investments had the following recurring fair value measurements:

Investment Type	Level 1	Level 2	Level 3	Total
Negotiable Certificates of Deposit	-	10,000	-	10,000
Equity & Fixed Income	256,245	-	-	256,245
Total	256,245	10,000	-	266,245

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

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

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NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2017 and 2018, consisted of accounts (tuition and other fees), notes, interest, levy receivables, receivable due from the College's partner in Youngstown, Higher Education Partners and intergovernmental grants. All receivables, except for those considered doubtful accounts and in collections with the Ohio Attorney General, are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal awards. Student accounts receivable for FY18 include unearned revenue of $6,511,198; for FY17 student accounts receivable was reported without unearned revenue which was $9,761,132. Other receivables consisted of the following:

	2017	2018
Grant receivables	$ 357,932	$ 273,000
State of Ohio – College Credit Plus	-	272,584
Higher Education Partners (HEP) receivable	500,000	471,219
Third parties	7,940	162,803
Interest receivable	3	3
Total other receivables	$ 865,875	$ 1,179,609

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the years ended June 30 was as follows:

Description	Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018
Capital assets, non-depreciable:				
Land	$ 679,144	$ -	$ -	$ 679,144
Construction in progress	-	1,622,497		1,622,497
Total capital assets, non-depreciable	679,144	1,622,497	-	2,301,641
Capital assets, depreciable:				
Buildings and improvements	23,650,181	-	-	23,650,181
Equipment and furniture	3,583,854	86,494	6,650	3,663,698
Total depreciable	27,234,035	86,494	6,650	27,313,879
Less accumulated depreciation:				
Buildings and improvements	10,915,891	506,764	-	11,422,655
Equipment and furniture	2,148,689	250,708	-	2,399,397
Total accumulated depreciation	13,064,580	757,472		13,822,052
Total capital assets, depreciable, net	14,169,455	(672,813)	6,650	13,491,827
Capital assets, net	$ 14,848,599	$ $951,519	$ $6,650	$ $15,793,468

NOTE 5 – CAPITAL ASSETS (continued)

Description	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017
Capital assets, non-depreciable:				
Land	$ 629,200	$ 49,944	$ -	$ 679,114
Construction in progress	924,745	-	924,745	-
Total capital assets, non-depreciable	1,533,945	49,944	924,745	679,114
Capital assets, depreciable:				
Buildings and improvements	22,381,402	1,268,779	-	23,650,181
Equipment and furniture	2,352,049	1,231,805		3,583,854
Total depreciable	24,733,451	2,500,584		27,234.035
Less accumulated depreciation:				
Buildings and improvements	10,413,346	502,545	-	10,915,891
Equipment and furniture	1,882,106	266,583		2,148,689
Total accumulated depreciation	12,295,452	769,128		13,064,580
Total capital assets, depreciable, net	12,437,999	1,731,456	-	14,169,455
Capital assets, net	$ 13,991,944	$ $1,781,400	$ $924,745	$ $14,848,599

NOTE 6 – STATE SUPPORT

Eastern Gateway Community College is a state-assisted institution of higher education, which receives a student enrollment-based instructional subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the Ohio Board of Regents, adjusted to state resources available. The College received $7,684,894 of student-based subsidy in fiscal year 2017 and $8,744,983 in fiscal year 2018.

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

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

NOTE 7 – LOCAL APPROPRIATIONS

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in Jefferson County. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by state law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2018 represent collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and collected in 2018 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received from telephone companies during calendar 2018 were levied after October 1, 2017, on the value as of December 31, 2017. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the College prior to June 30.

Property taxes are levied and assessed on a calendar year basis while the College fiscal year runs from July through June. The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the College. First-half tax collections are received by the College in the second half of the fiscal year. Second-half tax collections occur in the first half of the following fiscal year, and are reflected in property tax receivable. The County Treasurer periodically advances to the College its portion of the taxes collected. The amount available to be advanced can vary based on the date the tax bills are sent. Accrued property taxes receivable includes real property and public utility real property and personal property taxes and outstanding delinquencies which are measureable as of June 30, 2018 and for which there is an enforceable legal claim. The remaining portion of the receivable is offset by a credit to deferred inflow of resources – property taxes.

EASTERN GATEWAY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 8 – LONG-TERM LIABILITIES

Changes in the College's long-term liabilities during fiscal year 2018 were as follows:

	Restated Balance at July 1, 2017	Additions	Reductions	Balance at June 30, 2018	Due Within One Year
Bonds					
OAQDA 2014 Series A	$ 785,039	$ -	$ (118,199)	$ 666,840	$ 120,919
OAQDA 2014 Series B	820,236	-	-	820,236	-
Total bonds	1,605,275	-	(118,199)	1,487,076	120,919
Equipment Loan	122,613	-	(18,191)	104,422	18,046
Tax Anticipation Loan	-	2,000,000	(120,000)	1,880,000	450,000
Net Pension/OPEB Liability					
SERS	9,827,300	-	(116,053)	9,711,247	-
STRS	18,196,225	-	(4,312,815)	13,883,410	-
Total net pension liability	28,023,525	-	(4,428,868)	23,594,657	-
Other Long-Term Liabilities					
Compensated absences	742,351	22,598	-	764,949	255,265
Total	$ 30,493,764	$ 2,022,598	$ (4,685,258)	$ 27,831,104	$ 844,230

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

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

NOTE 8 – LONG-TERM LIABILITIES (continued)

OAQDA 2014 Series A Bonds

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

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

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

NOTE 8 – LONG-TERM LIABILITIES (continued)

OAQDA 2014 Series B Bonds

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

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

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

NOTE 8 – LONG-TERM LIABILITIES (continued

On June 8, 2017, the College issued a $122,613 equipment loan for the purpose of purchasing an International Prostar truck and a Dane trailer to start the College's Workforce CDL program. Interest payments, at a fixed rate of 6.94 percent are payable on the 8th of each month, until the principal amount is paid. The loan was issued for a six-year period with a final maturity date of May 8, 2023.

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

Fiscal Year	Principal	Interest	Total Debt Service
2019	$ 18,046	$ 6,680	$ 24,726
2020	19,339	5,387	24,726
2021	20,725	4,001	24,726
2022	22,210	2,516	24,726
2023	24,102	912	25,014
Total	**$ 104,422**	**$ 19,496**	**$ 123,918**

On February 23, 2018, the College issued $2,000,000 of Tax Anticipation Notes for the purpose of assisting the College in working capital financing. Interest payments, at a fixed rate of 2.55 percent are payable on June 1 and December 1 of each year, until the principal amount is paid. The notes were issued for a four-year period with a final maturity date of June 1, 2022.

Principal and interest requirements to retire the Tax Anticipation Notes are as follows:

Fiscal Year	Principal	Interest	Total Debt Service
2019	$ 450,000	$ 45,071	$ 495,071
2020	465,000	33,469	498,469
2021	475,000	21,611	496,611
2022	490,000	9,371	499,371
Total	**$ 1,880,000**	**$ 109,522**	**$ 1,989,522**

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

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 to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Age and service requirements for retirement are as follows:

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

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at three 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, 2018, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2018.

The College's contractually required contribution to SERS was $610,007 and $375,984 for fiscal years 2018 and 2017 respectively. Of the 2018 amount, $13,812 is reported as *accrued liabilities*.

Plan Description - State Teachers Retirement System (STRS)

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity 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, 2018, 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 2018 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was $983,537 and $772,938 for fiscal years 2018 and 2017, respectively.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

The net pension liability was measured as of June 30, 2017 and 2016, 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 employer allocation percentage 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	0.11379980%	0.05019882%	
Prior Measurement Date	0.09685110%	0.04687207%	
Change in Proportionate Share	0.01694870%	0.00332675%	
Proportionate Share of the Net Pension Liability as of Fiscal Year:			
June 30, 2018	$ 6,799,287	$ 11,924,837	$ 18,724,124
June 30, 2017	$ 7,088,607	$ 15,689,495	$ 22,778,102
Pension Expense, as of Fiscal Year:			
June 30, 2018	$ 43,641	$ (5,023,553)	$ (4,979,912)
June 30, 2017	$ 824,859	$ 548,131	$ 1,372,990

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

At June 30, 2018 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	$ 292,617	$ 460,482	$ 753,099
Changes of Assumptions	351,597	2,608,093	2,959,690
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions	914,665	799,941	1,714,606
College Contributions Subsequent to the Measurement Date	610,007	983,537	1,593,544
Total Deferred Outflows of Resources	$ 2,168,886	$ 4,852,053	$ 7,020,939
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 96,110	$ 96,110
Net Difference between Projected and Actual Earnings on Pension Plan Investments	32,276	393,536	425,812
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions	104,791	1,875,134	1,979,925
Total Deferred Inflows of Resources	$ 137,067	$ 2,364,780	$ 2,501,847

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NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 95,609	$ 633,931	$ 729,540
Net Difference between Projected and Actual Earnings on Pension Plan Investments	568,930	1,302,650	1,871,580
Changes of Assumptions	473,203	0	473,203
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions	422,795	35,499	458,294
College Contributions Subsequent to the Measurement Date	375,984	772,938	1,148,922
Total Deferred Outflows of Resources	$ 1,936,521	$ 2,745,018	$ 4,681,539
Deferred Inflows of Resources			
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions	$ 181,748	$ 2,500,177	$ 2,681,925

$1,593,544 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ 560,644	$ 117,560	$ 678,204
2020	739,180	652,899	1,392,079
2021	280,495	330,888	611,383
2022	(158,507)	402,389	243,882
	$ 1,421,812	$ 1,503,736	$ 2,925,548

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the most recent actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment 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 pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's Proportionate Share of the Net Pension Liability	$ 9,435,643	$ 6,799,287	$ 4,590,801

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent effective July 1, 2017

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

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

STRS' 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 %	

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

*The target allocation percentage is effective as of July 1, 2017. 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, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the College's proportionate share of the net pension liability as of June 30, 2017, 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:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's Proportionate Share of the Net Pension Liability	$ 17,093,848	$ 11,924,837	$ 7,570,720

Assumption Changes since the Prior Measurement Date
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.

Benefit Term Changes since the Prior Measurement Date
Effective July 1, 2017, the COLA was reduced to zero.

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Fiscal Year 2018

Net OPEB Liability

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

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

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

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

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

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (continued)

of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018 and 2017, these amounts were $23,700 and $23,500, respectively. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal years 2018 and 2017, the College's surcharge obligation was $30,060 and $26,867, respectively.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The College's contractually required contribution to SERS was $52,653 and $26,867 for fiscal years 2018 and 2017, respectively. Of the 2018 amount, $30,060 is reported as *accrued liabilities.*

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, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Current Measurement Date	0.10850390%	0.05019882%	
Prior Measurement Date	0.09608201%	0.04687207%	
Change in Proportionate Share	0.01242189%	0.00332675%	
Proportionate Share of the Net OPEB Liability	$ 2,911,960	$ 1,958,573	$ 4,870,533
OPEB Expense	242,500	(572,233)	(329,733)

At June 30, 2018, 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	$ 0	$ 113,061	$ 113,061
Changes in Proportionate Share and Differences between College Contributions and Proportionate Share of Contributions	241,654	152,499	394,153
College Contributions Subsequent to the Measurement Date	52,653	0	52,653
Total Deferred Outflows of Resources	$ 294,307	$ 265,560	$ 559,867
Deferred Inflows of Resources			
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	$ 7,690	$ 83,714	$ 91,404
Changes of Assumptions	276,330	157,770	434,100
Changes in Proportionate Share and Differences between College Contributions and Proportionate Share of Contributions	0	0	0
Total Deferred Inflows of Resources	$ 284,020	$ 241,484	$ 525,504

NOTE 10 - DEFINED BENEFIT OPEB PLANS (continued)

$52,653 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ (14,486)	$ (2,963)	$ (17,449)
2020	(14,486)	(2,963)	(17,449)
2021	(11,470)	(2,963)	(14,433)
2022	(1,924)	(2,965)	(4,889)
2023	0	17,965	17,965
Thereafter	0	17,965	17,965
	$ (42,366)	$ 24,076	$ (18,290)

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.

NOTE 10 - DEFINED BENEFIT OPEB PLANS (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

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

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

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

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (continued)

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 percent decreasing to 6.0 percent) than the current rate.

NOTE 10 - DEFINED BENEFIT OPEB PLANS (continued)

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
College's Proportionate Share of the Net OPEB Liability	$ 3,516,562	$ 2,911,960	$ 2,432,960

	1% Decrease	Current Trend Rate	1% Increase
College's Proportionate Share of the Net OPEB Liability	$ 2,362,837	$ 2,911,960	$ 3,638,733

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

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6.00 percent to 11.00 percent, initial, 4.50 percent ultimate

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

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

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

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (continued)

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

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
	100.00 %	

*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 actual rate of return, without net value added by management.

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (continued)

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
College's Proportionate Share of the Net OPEB Liability	$ 2,629,352	$ 1,958,573	$ 1,428,438
	1% Decrease	**Current Trend Rate**	**1% Increase**
College's Proportionate Share of the Net OPEB Liability	$ 1,360,732	$ 1,958,573	$ 2,745,401

Fiscal Year 2017

School Employees Retirement System

Health Care Plan Description - The College contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. 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. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal years 2017 and 2016, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017 and 2016, this amount was $23,500

NOTE 10 - DEFINED BENEFIT OPEB PLANS (continued)

and $23,000, respectively. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal years 2017 and 2016, the College's surcharge obligation was $26,867 and $39,754, respectively.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The College's contractually required contribution to SERS was $26,867, 39,754, and $16,847 for fiscal years 2017, 2016, 2015. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the College did not contribute to health care in the last three fiscal years.

NOTE 11 – RISK MANAGEMENT

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

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

The College does not provide vision or dental insurance. However, each employee is granted an amount of $2,600, in a Health Savings Account, to use for reimbursement of expenses for non-covered medical payments, co-payments, etc. If a full-time employee waives medical coverage, the College will pay a cash reward of $5,000 per taxable year to waive medical coverage.

Rates – July 1, 2017 to June 30, 2018

	PPO
Single Coverage	$ 588.27
Employee/Spouse	1,293.00
Employee/Child	992.99
Family Coverage	1,816.00

NOTE 11 – RISK MANAGEMENT (continued)

The College is exposed to various risks of loss related to torts, theft of, damage to, destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year 2018, the College contracted with insurance companies for coverage of buildings and contents.

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

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Litigations

To management's knowledge, there were no lawsuits or claims pending against Eastern Gateway Community College at June 30, 2017 and 2018. Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. College management believes disallowances, if any, will be immaterial.

Grants

The College received financial assistance from the Department of Labor and other federal agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College.

Collaboration Agreement with Higher Education Partners

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

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

At June 30, 2016, $606,470 was included in other receivables for cumulative payments made in excess of actual net operating income and outstanding amounts due for equipment purchases of $263,361 and $337,215, respectively. The College also made prepayments of $182,541 in fiscal year 2016, $125,000 in fiscal year 2017 and $125,000 in fiscal year 2018 to HEP to pay approximately one month of estimated net operating income. In fiscal year 2017, the $606,470 receivable was written-off. For fiscal years 2018 and 2017, the College's net income after payment of Collaboration expenses was $190,452 and $150,532, respectively.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

Collaboration Agreement with Student Resource Center (SRC)

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

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

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

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

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT

1. DESCRIPTION OF ORGANIZATION

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

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. Therefore, the Foundation has no liability for federal income taxes on exempt activities. However, the Foundation may be subjected to tax on unrelated business income. For the years ended June 30, 2018 and 2017, the Foundation earned no unrelated business income.

Generally accepted accounting principles required the Foundation to evaluate the level of uncertainty related to whether tax positions taken will be sustained upon examination. Any positions taken that do not meet the more-likely-than-not threshold must be quantified and recorded as a liability for unrecognized tax benefits in the accompanying statements of financial position along with interest and penalties that would be payable to the taxing authorities upon examination. Management believes that none of the tax positions taken would materially impact the financial statements, and no such liabilities have been recorded.

Recently Issued But Not Yet Effective Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09 entitled “Revenue from Contracts with Customers (Topic 606),” which will change the Foundation’s method of revenue recognition. This new standard is effective for the Foundation’s annual reporting periods beginning after December 15, 2018. Early implementation is permitted. The provisions of this standard will be applied retrospectively. Management has not yet determined whether this new standard will have a material effect on its financial statements.

Restatement of Net Assets

Management identified a misstatement in the prior year financial statements in regards to the collectability of pledges receivable. Receivable balances were deemed to be over-stated by $59,311. The restatement resulted in a decrease of $59,311 in net assets.

Subsequent Events

The Foundation has evaluated subsequent events through February 22, 2019 which is the date the financial statements were available to be issued and has determined that no reporting is necessary.

3. INVESTMENTS

Investments consisted of the following:	2018	2017
Equity mutual fund	$ 380,688	$ 317,074
Fixed income	163,346	152,630
Real estate investment trust	1,611	1,611
Other	18,480	18,230
	$ 564,125	$ 489,545

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

4. FAIR VALUE MEASUREMENTS

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

Level 1 – quoted prices in active markets for identical investments

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

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

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

The following is a summary of the inputs used as of June 30, 2018, in valuing the Foundation's investments carried at fair value:

	Level 1	Level 2	Level 3	Total
Equity mutual funds	$ 380,688	$ -	$ -	$ 380,688
Fixed income	-	163,346	-	163,346
Real Estate Investment Trust	1,611	-	-	1,611
Other	18,480	-	-	18,480
	$ 400,779	$ 163,346	$ -	$ 564,125

As of June 30, 2017:

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

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

4. FAIR VALUE MEASUREMENTS (continued)

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

5. ENDOWMENT FUND

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

Distributions from the endowment funds are spent in compliance with the donor's restrictions applicable to the funds being distributed. The Foundation classifies as permanently restricted net position (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;

(2) The purpose of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The expected total return from income and the appreciation of investments
(5) The investment policies of the Foundation

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. When donor endowment deficits exist, they are classified as a reduction of unrestricted net position. There were no deficits of this nature during fiscal year 2018 and 2017.

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NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

5. ENDOWMENT FUND (continued)

The Foundation's endowment fund activity was as follows for the year ended June 30, 2017 and 2018:

	Permanently Restricted
Endowment net position, beginning of 2017	$ 218,710
Investment return:	
Interest and dividends	-
Net realized and unrealized gain	-
Total investment returns	
Cash contributions	19,470
Appropriation of endowment assets for expenditure	-
Reclassifications and transfer out	(14,650)
Endowment net position, end of 2017	$ 223,530
Investment return:	
Interest and dividends	14,955
Net realized and unrealized gain	74,330
Total investment returns	89,285
Cash contributions	-
Appropriation of endowment assets for expenditure	-
Reclassifications and transfer out	-
Endowment net position, end of 2018	$ 312,815

Return Objectives and Risk Parameters

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

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

5. ENDOWMENT FUND (continued)

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

Strategies Employed for Achieving Objectives

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

Spending Policy

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

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are those whose use by the Foundation has been limited by the donors to a specific time period or purpose. Temporarily restricted net assets are available for providing scholarships to the College's students, capital assets, and educational and general purposes. Temporarily restricted net assets available for scholarships and capital projects totaled $319,827 at June 30, 2017, and $372,380 at June 30, 2018.

EASTERN GATEWAY COMMUNITY COLLEGE

Required Supplementary Information

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

Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)					
College's Proportion of the Net Pension Liability	0.11379980%	0.09685110%	0.08650800%	0.09305400%	0.09305400%
College's Proportionate Share of the Net Pension Liability	$ 6,799,287	$ 7,088,607	$ 4,936,248	$ 4,709,410	$ 5,533,622
College's Covered Payroll	$ 2,685,600	$ 3,040,136	$ 2,743,096	$ 2,907,684	$ 2,850,600
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	253.18%	233.17%	179.95%	161.96%	194.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System (STRS)					
College's Proportion of the Net Pension Liability	0.05019882%	0.04687207%	0.05784400%	0.05759500%	0.05759500%
College's Proportionate Share of the Net Pension Liability	$ 11,924,837	$ 15,689,495	$ 15,986,307	$ 14,009,163	$ 16,687,623
College's Covered Payroll	$ 5,520,986	$ 4,931,843	$ 6,064,386	$ 5,781,554	$ 5,954,508
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	215.99%	318.13%	263.61%	242.31%	280.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

EASTERN GATEWAY COMMUNITY COLLEGE

Required Supplementary Information

Schedule of the College's Contributions - Pension

Last Ten Fiscal Years

	2018	2017	2016	2015
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 610,007	$ 375,984	$ 425,619	$ 361,540
Contributions in Relation to the Contractually Required Contribution	(610,007)	(375,984)	(425,619)	(361,540)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
College's Covered Payroll	$ 4,518,570	$ 2,685,600	$ 3,040,136	$ 2,743,096
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 983,537	$ 772,938	$ 690,458	$ 849,014
Contributions in Relation to the Contractually Required Contribution	(983,537)	(772,938)	(690,458)	(849,014)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
College's Covered Payroll	$ 7,025,264	$ 5,520,986	$ 4,931,843	$ 6,064,386
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
$ 403,005	$ 394,523	$ 398,133	$ 393,269	$ 358,651	$ 339,141
(403,005)	(394,523)	(398,133)	(393,269)	(358,651)	(339,141)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 2,907,684	$ 2,850,600	$ 2,960,097	$ 3,128,632	$ 2,648,826	$ 3,446,555
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
$ 751,602	$ 774,086	$ 705,411 #	$ 614,470	$ 551,786	$ 509,171
(751,602)	(774,086)	(705,411)	(614,470)	(551,786)	(509,171)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 5,781,554	$ 5,954,508	$ 5,426,238	$ 4,726,692	$ 4,244,508	$ 3,916,700
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

EASTERN GATEWAY COMMUNITY COLLEGE

Required Supplementary Information

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

Last Two Fiscal Years (1)

	2018	2017
School Employees Retirement System (SERS)		
College's Proportion of the Net OPEB Liability	0.10850390%	0.09608201%
College's Proportionate Share of the Net OPEB Liability	$ 2,911,960	$ 2,738,693
College's Covered Payroll	$ 2,685,600	$ 3,040,136
College's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	108.43%	90.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
State Teachers Retirement System (STRS)		
College's Proportion of the Net OPEB Liability	0.05019882%	0.04687207%
College's Proportionate Share of the Net OPEB Liability	$ 1,958,573	$ 2,506,730
College's Covered Payroll	$ 5,520,986	$ 4,931,843
College's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.48%	50.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 fisca

See accompanying notes to the required supplementary information.

EASTERN GATEWAY COMMUNITY COLLEGE

Required Supplementary Information

Schedule of the College's Contributions - OPEB

Last Seven Fiscal Years (2)

	2018	2017
School Employees Retirement System (SERS)		
Contractually Required Contribution (1)	$ 52,653	$ 26,867
Contributions in Relation to the Contractually Required Contribution	(52,653)	(26,867)
Contribution Deficiency (Excess)	$ 0	$ 0
College's Covered Payroll	$ 4,518,570	$ 2,685,600
OPEB Contributions as a Percentage of Covered Payroll (1)	1.17%	1.00%
State Teachers Retirement System (STRS)		
Contractually Required Contribution	$ 0	$ 0
Contributions in Relation to the Contractually Required Contribution	0	0
Contribution Deficiency (Excess)	$ 0	$ 0
College's Covered Payroll	$ 7,025,264	$ 5,520,986
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%

(1) Includes surcharge

(2) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2012 is not available.

See accompanying notes to the required supplementary information.

2016	2015	2014	2013	2012
$ 39,754	$ 16,847	$ 36,571	$ 46,348	$ 41,740
(39,754)	(16,847)	(36,571)	(46,348)	(41,740)
$ 0	$ 0	$ 0	$ 0	$ 0
$ 3,040,136	$ 2,743,096	$ 2,907,684	$ 2,850,600	$ 2,960,097
1.31%	0.61%	1.26%	1.63%	1.41%
$ 0	$ 0	$ 57,816	$ 59,545	$ 54,262
0	0	(57,816)	(59,545)	(54,262)
$ 0	$ 0	$ 0	$ 0	$ 0
$ 4,931,843	$ 6,064,386	$ 5,781,554	$ 5,954,508	$ 5,426,238
0.00%	0.00%	1.00%	1.00%	1.00%

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

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 the following:
  - 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 the following:
  - 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 disable member was updated to the following:
  - 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 Benefit Terms - SERS

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 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 - STRS

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

Note 2 - Net OPEB Liability

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:	
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 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also 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.

March 7, 2019

Board of Trustees
Eastern Gateway Community College
110 John Scott Highway
Steubenville, OH 43952

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 Eastern Gateway Community College, Jefferson County, Ohio (the "College"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 7, 2019, in which we noted the College restated net position balances to account for the implementation of GASB Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions* and to correct a misstatement from a prior period.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

Rea & associates a brighter way

March 7, 2019

Board of Trustees
Eastern Gateway Community College
Jefferson County, Ohio
110 John Scott Highway
Steubenville, Ohio 43952

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 Eastern Gateway Community College's, Jefferson 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, 2018. 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the College's compliance.

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Basis for Qualified Opinion on the Student Financial Aid Cluster

As described in finding 2018-001 in the accompanying *Schedule of Findings and Questioned Costs,* the College did not comply with requirements regarding Special Tests and Provisions – Return of Title IV Aid applicable to the Student Financial Aid Cluster. Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to that program.

Qualified Opinion on the Student Financial Aid Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Student Financial Aid Cluster for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor’s results section of the accompanying *Schedule of Findings and Questioned Costs* for the year ended June 30, 2018.

Other Matters

The College's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as item 2018-001 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as item 2018-002 to be a significant deficiency.

The College's response to the internal control over compliance finding in our audit is described in the accompanying *Corrective Action Plan*. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

EASTERN GATEWAY COMMUNITY COLLEGE
JEFFERSON COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2018

	Federal CFDA Number	Pass-Through/ Entity Identifying Number	Federal Disbursements	Passed Through to Subrecipients
U.S. Department of Education				
Direct Awards				
Student Financial Aid Cluster				
Federal Pell Grant	84.063		$ 12,379,391	$ 0
Federal Work Study	84.033		93,588	0
Federal Direct Student Loans	84.268		2,588,734	0
Supplemental Educational Opportunity Grant	84.007		73,246	0
Total Student Financial Aid Cluster			15,134,959	0
TRIO Cluster				
TRIO Student Support Services	84.042		174,940	0
TRIO Upward Bound	84.047		297,477	0
TRIO Educational Opportunity Centers	84.066		213,549	0
			685,966	0
Passed Through Ohio Department of Education				
Adult Education - Basic Grants to States	84.002		247,634	0
Career and Technical Education - Basic Grants to States	84.048		45,243	0
Total U.S. Department of Education			16,113,802	0
U.S. Department of Labor				
Direct Awards				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC-26435-14-60	439,686	0
Passed Through Lorain County Community College				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC-26438-14-60-A-39	104,139	0
Total U.S. Department of Labor			543,825	0
Total Federal Awards			$ 16,657,627	$ 0

See accompanying notes to the schedule of expenditures of federal awards

EASTERN GATEWAY COMMUNITY COLLEGE
JEFFERSON COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(B)(6)
For Fiscal Year Ended June 30, 2018

NOTE 1: BASIS OF PRESENTATION

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

NOTE 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	$1,399,812
Federal Unsubsidized Loans	1,182,058
Federal Plus Loans	6,864
Total Federal Direct Student Loans	$2,588,734

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)?	No
(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?	Yes
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified – TAACCCT Qualified – Student Financial Aid Cluster
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list): Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants Student Financial Assistance Cluster: Federal Pell Grant Federal Work Study Federal Direct Student Loans Supplemental Educational Opportunity Grant	CFDA #'s: 17.282 84.063 84.033 84.268 84.007
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >$750,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number: 2018-001

Federal Program: Student Financial Aid Cluster
CFDA Number: 84.063, 84.033, 84.268, 84.007
Federal Agency: U.S. Department of Education

Material Weakness/Material Noncompliance – Return of Title IV Aid

Criteria: Federal regulation 34 CFR 668.22 establishes the treatment of Title IV funds when a student withdraws. Within the regulations are specific guidelines for the calculation of unearned aid and amounts required to be returned to the U.S. Department of Education. The regulations also establish the required timeframe for identification of identification of students that are no longer attending and the subsequent return of any unearned aid by the College.

Condition: In testing, we identified four returns that were not calculated in accordance with 34 CFR 668.22. We also identified fifteen returns that were not made to the U.S. Department of Education within the timelines required by 34 CFR 668.22.

Questioned Costs: The errors in calculations noted above resulted in an under-return of Pell Grants in the amount of $688.

Cause/Effect: There was significant turnover in management within the financial aid department. This caused confusion regarding procedures and responsibilities within the department. The College also experienced tremendous growth in 2018 with significant increases in the student population. The increase in student population created a strain on the department to keep up with aid processing and return of aid calculations. The College did not have procedures in place to ensure attendance was being reported to financial aid accurately and in a timely manner.

Recommendation: We recommend implementing procedures to ensure attendance is being properly monitored and reported to the financial aid department. The financial aid department should also implement procedures to ensure all calculations are accurate prior to submission to the U.S. Department of Education.

Management Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number: 2018-002

Federal Program: Student Financial Aid Cluster
CFDA Number: 84.063, 84.033, 84.268, 84.007
Federal Agency: U.S. Department of Education

Significant Deficiency – Cash Management

Criteria: Federal regulation (2 CFR 200.303(a)) requires that non-federal entities must establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: In testing of financial aid requests from the U.S. Department of Education, it was noted that the College’s procedures do not include reconciling student disbursement activity between the financial aid office and business office prior to preparing requests of aid. The reconciliation activities were being performed, but not timely enough to prevent incorrect draws of aid.

Cause/Effect: The procedures in place did not result in noncompliance but created inefficiencies in the reconciliation process between the financial aid department and business office.

Recommendation: We recommend the College establish procedures to ensure the financial aid department and business office are reconciling planned student disbursements prior to the request of aid in G5.

Management Response: See Corrective Action Plan.

EASTERN GATEWAY
COMMUNITY COLLEGE

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Eastern Gateway Community College
Jefferson County, Ohio
Schedule of Prior Audit Findings
2 CFR Section 200.511(b)
June 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Material Noncompliance and Material Weakness: Allowable Costs – Trade Adjustment Assistance Community College and Career Training Grant – Contractor Payments	Fully Corrected	Procedures were adopted to correct the issues identified in the prior year.
2017-002	Material Noncompliance and Material Weakness: Allowable Costs – Trade Adjustment Assistance Community College and Career Training Grant – Time and Effort	Fully Corrected	Procedures were adopted to correct the issues identified in the prior year.

EASTERN GATEWAY
COMMUNITY COLLEGE

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Eastern Gateway Community College
Jefferson County, Ohio
Corrective Action Plan
2 CFR Section 200.511(c)
For the Fiscal Year Ended June 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Procedures will be implemented to ensure attendance is being monitored and reported to the financial aid department in a timely and accurate manner. Procedures over attendance tracking for online students will be further reviewed to ensure compliance with requirements.	June 30, 2019	Michael Geoghegan, CFO
2018-002	The College will review the process for requesting federal funds for student financial aid and implement procedures to ensure student disbursements are properly communicated and reconciled between departments prior to requesting funds.	June 30, 2019	Michael Geoghegan, CFO