

**EASTERN GATEWAY COMMUNITY COLLEGE
JEFFERSON COUNTY, OHIO**

SINGLE AUDIT

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2020 AND 2019**



Rea & associates

www.reacpa.com

**EASTERN GATEWAY COMMUNITY COLLEGE
JEFFERSON COUNTY, OHIO
JUNE 30, 2020 and 2019**

TABLE OF CONTENTS

<i>TITLE</i>	<i>PAGE</i>
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-19
Basic Financial Statements:	
Statement of Net Position	20
Statement of Revenues, Expenses and Changes in Net Position	21
Statement of Cash Flows	22
Notes to the Financial Statements	23-66
Required Supplementary Information:	
Schedule of the College’s Proportionate Share of the Net Pension Liability	67
Schedule of the College’s Contributions - Pension	68-69
Schedule of the College’s Proportionate Share of the Net OPEB Liability/(Asset)	70
Schedule of the College’s Contributions - OPEB	71-72
Notes to the Required Supplementary Information	73-75
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	76-77
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	78-79
Schedule of Expenditures of Federal Awards	80
Notes to the Schedule of Expenditures of Federal Awards	81
Schedule of Findings and Questioned Costs	82
Schedule of Prior Year Findings	83

March 11, 2021

Board of Trustees
Eastern Gateway Community College
Jefferson County, Ohio
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 years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of a Matter

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the College. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, the *Schedule of the College's Proportionate Share of the Net Pension Liability*, the *Schedule of the College's Contributions-Pension*, the *Schedule of the College's Proportionate Share of the Net OPEB Liability/(Asset)* and the *Schedule of the College's Contributions-OPEB* as listed in the table of contents, 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 11, 2021 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
Jefferson County, Ohio
Management's Discussion and Analysis
June 30, 2020 and 2019

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, 2020 and June 30, 2019, with selected comparative information for the year ended June 30, 2018. 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.

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.

Eastern Gateway Community College
Jefferson County, Ohio
Management's Discussion and Analysis
June 30, 2020 and 2019

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):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets and Deferred Outflows			
Cash, cash equivalents, and investments	\$ 14,308	\$ 3,113	\$ 1,648
Accounts receivable - Net	110,854	41,675	12,936
Other assets	1,860	1,250	629
Capital assets - Net	29,608	21,390	15,793
Total assets	<u>156,630</u>	<u>67,428</u>	<u>31,006</u>
Deferred outflows	<u>14,972</u>	<u>10,705</u>	<u>7,581</u>
Total assets and deferred outflows	<u>171,602</u>	<u>78,133</u>	<u>38,587</u>
Liabilities and Deferred Inflows			
Accounts payable and accrued expenses	\$ 16,544	\$ 3,356	\$ 1,898
Unearned revenue	84,654	30,903	6,974
Long-term liabilities – current	2,377	1,087	844
Long-term liabilities	<u>53,890</u>	<u>34,101</u>	<u>26,987</u>
Total liabilities	<u>157,465</u>	<u>69,447</u>	<u>36,703</u>
Deferred inflows	<u>5,359</u>	<u>4,810</u>	<u>3,565</u>
Total liabilities and deferred inflows	<u>162,824</u>	<u>74,257</u>	<u>40,268</u>
Net Position			
Net investment in capital assets	\$ 15,300	\$ 15,769	\$ 14,278
Restricted	1,657	672	856
Unrestricted	<u>(8,179)</u>	<u>(12,565)</u>	<u>(16,815)</u>
Total net position	<u>8,778</u>	<u>3,876</u>	<u>(1,681)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 171,602</u>	<u>\$ 78,133</u>	<u>\$ 38,587</u>

Assets

Cash and cash equivalents, restricted cash, and investments make-up 8.3 percent, 4.0 percent, and 4.3 percent of total assets and deferred outflows at June 30, 2020, 2019, and 2018, 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 \$11.2 million at June 30, 2020 from June 30, 2019. This was primarily due to unspent proceeds relating to the issuance of improvement bonds.

Eastern Gateway Community College
Jefferson County, Ohio
Management's Discussion and Analysis
June 30, 2020 and 2019

Accounts receivable make up 64.6 percent, 53.3 percent, and 33.5 percent of the total assets and deferred outflows at June 30, 2020, 2019, and 2018, respectively. The increase in fiscal year 2020 was attributable primarily to an increase in current student receivables caused by changes in the registration process and timing lags in the application of financial aid. Accounts receivable at June 30 include (in thousands):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Grants	\$ 606	\$ 109	\$ 273
Other	1,073	135	458
Tuition and Other	89,622	41,826	12,760
Collaboration Agreement	8	417	450
Property Taxes	1,176	1,074	1,034
Financial Aid	20,423	169	-
Allowance for Doubtful Accounts	<u>(2,054)</u>	<u>(2,056)</u>	<u>(2,039)</u>
	<u>\$ 110,854</u>	<u>\$ 41,674</u>	<u>\$ 12,936</u>

Capital assets, net of depreciation, make up 17.3 percent, 27.4 percent, and 40.9 percent of the total assets and deferred outflows at June 30, 2020, 2019, and 2018, respectively. The increase in the capital assets is due to additions exceeding disposals and depreciation expense. Other assets include prepaid expenses and other College inventories.

Liabilities

The \$88.6 million increase for fiscal year 2020 in total liabilities and deferred inflows was primarily due to the following: issuance of a Youngstown Bond with an outstanding balance of \$12.6 million at year end, an increase of \$13.2 million in accrued liabilities due to union scholarships, increases of \$53.8 million in unearned revenue due to high Fall 2020 enrollment and a \$8.3 million increase in net pension/OPEB 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 and on June 28, 2019 the College entered into another \$2.0 million Tax Anticipation Note maturing at June 1, 2024; interest is 2.69% per annum.

On June 25, 2020 the College issued \$12.6 million of PNC Capital Markets for the purpose of assisting the College in financing the acquisition and renovation of three buildings in Youngstown, Ohio. Interest

Eastern Gateway Community College
Jefferson County, Ohio
Management's Discussion and Analysis
June 30, 2020 and 2019

payments, at a variable rate ranging from 2 to 4 percent are payable on December 1 each year, until the principal amount is paid. The bonds were issued for a thirty-year period with a final maturity date of December 1, 2050.

Long-term liabilities at June 30 include (in thousands):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Bonds:			
OAQDA 2014 Series A	422	546	667
OAQDA 2014 Series B	820	820	820
Improvement Bonds	12,585	-	-
Total Bonds	<u>13,827</u>	<u>1,366</u>	<u>1,487</u>
Other Long-Term Liabilities:			
Loans Payable	65	85	104
ORACLE Payable	3,730	4,256	-
Tax Anticipation Notes	2,780	3,430	1,880
Net Pension Liability - SERS	9,304	7,940	6,799
Net Pension Liability - STRS	20,541	13,583	11,925
Net OPEB Liability - SERS	3,629	3,646	2,912
Net OPEB Liability - STRS	-	-	1,959
Compensated Absences	1,282	883	765
Total Other Long-Term Liabilities	<u>41,331</u>	<u>33,823</u>	<u>26,344</u>
Total Long-Term Liabilities	<u><u>55,158</u></u>	<u><u>35,189</u></u>	<u><u>27,831</u></u>

Net Position

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Investment in Capital Assets	\$ 15,299,751	\$ 15,769,304	\$ 14,277,653
Restricted Non-Expendable:			
Scholarships	64,555	64,555	64,555
Restricted Expendable:			
Scholarships	407,943	419,839	406,331
Capital	127,093	113,550	185,262
Agency	35,612	12,282	3,575
Educational	1,021,713	61,905	196,760
Unrestricted	<u>(8,178,708)</u>	<u>(12,565,622)</u>	<u>(16,815,025)</u>
Total Net Position	<u><u>\$ 8,777,959</u></u>	<u><u>\$ 3,875,813</u></u>	<u><u>\$ (1,680,889)</u></u>

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

Eastern Gateway Community College
Jefferson County, Ohio
Management's Discussion and Analysis
June 30, 2020 and 2019

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.

For fiscal year ended June 30, 2019, the total net position increased \$5,556,702. For fiscal year ended June 30, 2020, the total net position increased \$4,902,146. The increases noted in both years is primarily attributable to continued growth in enrollment as revenues have increased at a higher rate than expenses.

Statement of Revenue, Expenses, and Changes in Net Position

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues:			
Tuition and Fees, net	\$ 8,231	\$ 6,878	\$ 5,568
Grants and Contracts	3,506	2,382	3,592
Auxiliary Services	199	15	1
Other Operating Revenues	8,053	4,581	1,647
Total Operating Revenues	19,989	13,856	10,808
Operating Expenses:			
Educational and General	26,774	14,647	10,310
Public Service	882	822	677
Academic Support	1,058	1,272	328
Student Services	5,388	5,641	4,130
Institutional Support	27,718	17,619	6,293
Operations and Maintenance of Plant	552	983	1,321
Depreciation and Amortization	1,908	1,480	757
Scholarships	1,007	569	880
Auxiliary Services	26	32	-
Total Operating Expenses	65,313	43,065	24,696
Operating Income/(Loss)	(45,324)	(29,209)	(13,888)
Total Non-Operating Revenues/(Expenses)	50,226	34,766	22,171
Change in Net Position	4,902	5,557	8,283
Net Position - Beginning of year	3,876	(1,681)	(9,964)
Net Position - End of year	\$ 8,778	\$ 3,876	\$ (1,681)

Eastern Gateway Community College
Jefferson County, Ohio
Management's Discussion and Analysis
June 30, 2020 and 2019

Revenues

Operating Revenues for fiscal year 2020 increased by \$6.1 million or 44.3 percent over fiscal year 2019. The change derives primarily from the following three functional categories of revenue:

1. Student tuition and fees are reported net of scholarship allowance. The 19.7 percent increase over fiscal year 2019 is the result of increased enrollment which was not offset by Pell grants or scholarship allowances.
2. Other operating revenue increased \$3.5 million or 75.8 percent growth over fiscal year 2019 as a result of a profitable On-line Union Collaboration partnership.
3. Non-operating revenue increased by \$15.5 million, or 44.5 percent primarily due to Federal Grants and Contracts growth - \$14.1 million and State Subsidy growth - \$1.5 million.

Expenses

Expenses for fiscal year 2020 increased by \$22.2 million, or 51.7 percent, over fiscal year 2019. The change derives primarily from the following three functional categories of expense:

1. Institutional support expenses increased by \$10.1 million, or 57.3 percent, over fiscal year 2019. This was primarily the result of increases due to growth in the on-line union collaboration as well as fluctuations in net pension and OPEB liabilities.
2. Education and general expenses increased by \$12.1 million or 82.8 percent, over fiscal year 2019, due to enrollment growth.

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):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Cash Provided by Operating Activities	(42,671)	(31,869)	(21,753)
Net Cash Provided by Non-Capital Financing Activities	49,121	35,945	23,974
Net Cash Used by Capital and Related Financing Activities	4,624	(2,678)	(1,866)
Net Cash Provided by Investing Activities	137	42	5
Net (Decrease) Increase in Cash and Cash Equivalents	<u>11,211</u>	<u>1,440</u>	<u>360</u>
Cash and Cash Equivalents - Beginning of year	<u>2,821</u>	<u>1,381</u>	<u>1,021</u>
Cash and Cash Equivalents - End of year	<u><u>14,032</u></u>	<u><u>2,821</u></u>	<u><u>1,381</u></u>

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.

Eastern Gateway Community College
Jefferson County, Ohio
Management's Discussion and Analysis
June 30, 2020 and 2019

Capital Assets

Capital assets, net of accumulated depreciation & amortization, totaled \$29.6 million, \$21.4 million, and \$15.8 million at June 30, 2020, 2019, and 2018, respectively, an increase of \$8.2 million and an increase of \$5.6 million in fiscal years 2020 and 2019, respectively. Increases were due to capital asset acquisitions exceeding disposals and depreciation expense. Changes in capital assets during fiscal years 2020, 2019, and 2018 included (in thousands):

	<u>2020</u>	<u>Net Change</u>	<u>2019</u>	<u>Net Change</u>	<u>2018</u>
Land	\$ 679	\$ -	\$ 679	\$ -	\$ 679
Building Improvements	33,950	8,480	25,470	1,820	23,650
Equipment	10,407	156	10,251	6,587	3,664
Construction in Progress	1,412	1,120	292	(1,330)	1,622
Accumulated Depreciation and Amortization	<u>(16,840)</u>	<u>(1,538)</u>	<u>(15,302)</u>	<u>(1,480)</u>	<u>(13,822)</u>
Total Capital Assets, net of Accumulated Depreciation	<u>\$ 29,608</u>	<u>\$ 8,218</u>	<u>\$ 21,390</u>	<u>\$ 5,597</u>	<u>\$ 15,793</u>

Factors Impacting Future Operations

COVID-19

The global pandemic and ensuing economic downturn are the most obvious factors impacting future periods. The College was in a unique position to successfully respond to the pandemic due to 88% of its academic programs already being delivered online and the fact that 90% of its financial and student support supports were cloud-based and accessible by faculty and staff from any location. The College only had to delay its second Spring term by two days in order to convert the remaining on-ground, in-seat courses to online. The hands-on, lab courses were made up in the early part of Summer. There was no significant financial impact to the College as a result of the pandemic and the FY21 budget was adopted on-time with a projected \$10 million surplus.

In response to COVID-19, the Federal Coronavirus Relief and Economic Security (CARES) Act was signed into law last March 2020. The \$2 trillion act included \$14 billion for U.S. higher education of which a little under \$1 billion was allocated to the College for direct student emergency payments and to help cover extraordinary institutional costs related to COVID-19. The college has taken extraordinary steps to protect the health and safety of students and employees as guided by Centers for Disease Control (CDC), State Board of Health in conjunction with local counties boards of health.

State support

The COVID-19 health pandemic and ensuing economic downturn is impacting the State of Ohio economy resulting in less resources for funding higher education and other state agencies. The current two-year operating budget (HB166) for fiscal years 2020 and 2021 had provided slight increases in funding for community colleges but, due to COVID-19, appropriations were reduced by 3.8% in FY 2020 and have been reduced by 4.4% in FY 2021. The depth and duration of the economic downturn will be a critical factor in future state funding outlooks. The College was fortunate in that its FY20 State Share of Instruction (SSI) budget was less than the Governor's year-end cuts. The College has experienced better than average results in the allocation of dollars through the State's performance-based funding model due to its aggressive efforts to increase the number of students successfully completing courses, attaining intermediate milestones and earning degrees/certificates and/or transferring to baccalaureate institutions.

Eastern Gateway Community College
Jefferson County, Ohio
Management's Discussion and Analysis
June 30, 2020 and 2019

The College's share of SSI has increased \$4.96 million, or 43.6% from FY16 when the performance-based funding formula was implemented to FY20

The future for the College looks very promising as it expands its free-college online program both regionally and nationally in its partnership with the Ohio and national labor unions. Funded with Pell grants, the College has constructed a business and operating model that has allowed it to scale with the significant enrollment growth yet continue to serve its students with a laser focus on their success.

Strategic Planning

In October 2017 the College created the 2017-2020 Strategic Plan. This plan consisted of three distinct strategic goals: 1) Eastern Gateway Community College will engage every student and provide support needed to achieve student success, 2) Eastern Gateway Community College will operate within a framework of continuous improvement, and 3) Eastern Gateway Community College will explore and implement strategies to ensure financial stability and vitality into the future. When this plan was developed, the College had an enrollment of 8,618 students. As the College experienced exponential growth over the last 3 years, the 3 goals and defined measures were too broad to properly manage the College as a whole and move it to its next level of success.

In order to most effectively meet the demands resulting from the increased growth of the College, senior leadership decided to use a structured approach to the development of a balanced strategic plan that would address the continual growth, lay out a clear path to guide the institution and manage the College's performance and progress toward its vision and mission. The plan needed to clearly communicate goals and expectations to the students, staff, faculty, community, the Board, and stakeholders.

The strategic components of the balanced strategic plan started at a high "strategic altitude". Mission (or business purpose), Vision, and Core Values were then translated into desired Strategic Results. The organization's "Pillars of Excellence," or Strategic Themes, were selected to focus effort on the strategies that will lead to success. Strategic Objectives are the "DNA" of strategy and are used to decompose strategy into actionable components that can be monitored using Performance Measures. Measures allow the organization to track results against targets, and to celebrate success and identify potential problems early. Finally, Strategic Initiatives translate strategy into a set of high-priority projects that need to be implemented to ensure the success of strategy. Engaged leadership and interactive, two-way communication are the cornerstones of a successful management system. Once the strategic thinking and necessary actions are determined, annual program plans, projects and service level agreements can be developed and translated into budget requests.

Under the leadership of the President, in August of 2020, the College began working with the Balanced Scorecard Institute (BSI) on developing its 2020-2025 Balanced Strategic Plan. Using BSI's proprietary *Nine Steps to Success*TM methodology, 70 representatives from throughout the College joined the College's Strategic Teams and participated in the development of the College's 2020-2025 Balanced Strategic Plan. The College's Balanced Strategic Plan builds on the existing Strategic Plan and strengthened or added components to bring additional clarity regarding outcomes, performance measures, strategic initiative alignment, a strategy map and a one-page summary of the College's strategy.

Eastern Gateway Community College
Jefferson County, Ohio
Management's Discussion and Analysis
June 30, 2020 and 2019

Academics

The 2019-2020 academic year has been a year building on relatively new faces/changes at the College. In February 2020, the institution hired a new Vice President of Academic Affairs. The institution hired a new Dean for the School of Health, Sciences, and Public Services in the Fall of 2020. The college has committed to a new 4 Dean model for the schools of: Arts, Humanities, and Social Sciences; Business and Innovation; Engineering and Information Technology; and Health, Sciences, and Public Services. The searches for the additional two Deans will commence in the Spring of 2021.

The area of Academic Affairs is building a structure of renewed emphasis on process and guidelines. This is meant to make Curriculum Committee and Academic Program Review more consistent, timely and better communication throughout the campus community. The College has also renewed Faculty Forums that augment and mirror the President's First Friday initiative of creating more transparency, better communication, and a location for faculty to ask the administration the hard questions in an environment that should result in strengthened shared governance. The goal is to build a structure and infrastructure that will allow the institution to meet its stated goal of 100,000 students.

The College has submitted a new completion plan to the state of Ohio. This plan was given to the Board of Trustees and passed as a Resolution to be submitted by December 1, 2020. The plan has several elements that require collaboration between many areas of the college and has a major focus on student success. Elements of the plan provide strategies that are focused on key aspects of Entry, Progress, Completion, and Workforce. Each area was designated with the requisite leadership involved, expected outcomes, and answered the question concerning the timeline for our institution.

The College maintains a desire to build and strengthen relationships with our K – 12 partners. Our growth in College Credit Plus continues and is a result of commitment to service, eliminating textbook costs to our partners (through the adoption of Open Education Resources), and providing the delivery model of instruction requested by our partner. We have a goal of expanding these offerings within the service district and reaching 2,000 students (currently at approximately 1,400 students) in our CCP program by the 2023 -2024 school year.

The College has applied to the Higher Learning Commission to join the Assessment Academy. We have made a strong commitment to one aspect of assessment and have a robust Academic Program Review in place. We realize that the same level of commitment and good work needs to be in place for the assessment of course learning outcomes, general education outcomes, and need to develop and assess co-curricular outcomes. We are reviewing strategies to utilize our course management system (CANVAS) to make this a system that is faculty friendly and should include high participation rates for all faculty (full-time and adjunct).

Academic leadership continues to work collaboratively with faculty and academic leaders throughout the institution to focus on improvements to curriculum by embedding Open Educational Resources (OER) materials wherever possible, expanding quality course offerings for the College and addressing the need for creating a culture of assessment across the curriculum.

The College continues to look at student success and is creating means to measure success across all demographics. The creation of an equity score card will help the institution determine if there are equity gaps and may assist in how to utilize the case management approach for student advising that has an emphasis on student success coaches. These coaches, which have been mentioned in past completion plan submissions, are overdue and will help increase student success for our most vulnerable populations

Eastern Gateway Community College
Jefferson County, Ohio
Management's Discussion and Analysis
June 30, 2020 and 2019

that may not succeed without additional assistance. The approach being recommended is about equity, not equality, and allows the institution to address a challenge facing higher education in general.

Enrollment and Retention

The College has continued the trend of significant enrollment increases for the Fall 2019 term with over 33,000 students enrolled. While all campus locations are experiencing growth year over year, the primary driver is Online, which is up 68.8% over Fall 2018. This growth comes from new and continued Union partnerships through our Student Resource Center. The College has also introduced new in- demand degrees/certificates to extend our reach to wider audience of students and is on track to launch 3-5 more programs in the upcoming calendar year.

With increased enrollments, the College has also experienced an increase in credit hours and FTEs. While the two campuses are seeing a slight dip in average registered credit hours, there is an increase with the online student population. The campus declines are in part due to an operational decision to make developmental Math and English courses zero credits through the State of Ohio Aspire program. Online students are not required to take these courses which did not impact the year-over-year performance.

One of the College's strategic plan initiatives was to monitor and improve class sizes to positively impact online adjunct costs. With improved reporting and visibility, as well as the implementation of video conferencing, the College has been able to again increase class sizes for the Fall 2019 term by 24.2% over prior year.

Fall to Fall retention is up 389 basis points (3.89%) from last year. Online is showing the most improvement at 412 basis points (4.12%). This is being driven by the Student Resource Center bringing most of the services in house over the past year. The hiring of experienced staff over the past year has also contributed to the Online improvement in retention.

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Persistence from the Spring19 to the Fall19 term has shown significant improvement at 664 basis points higher than the prior year. This again is driven by Online. As mentioned above we have added more experienced staff and better reporting to identify students are risk and improve persistence.

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Eastern Gateway Community College
Jefferson County, Ohio
Management's Discussion and Analysis
June 30, 2020 and 2019

College Relations

The College successfully concluded its collective bargaining negotiations with the Eastern Gateway Community College Association, a chapter of the Ohio Education Association, this past year and signed a new three-year agreement effective July 1, 2018. The new agreement included the following:

1. New Full Time Faculty Positions
 - a. Fully online FT faculty position
 - b. 3 academic term teaching contracts (Fall, Spring, Summer)
 - c. Higher load than campus-based FT faculty
 - i. Focus on teaching and departmental integration.
 - ii. No ancillary responsibilities (committee work, etc.)
 - d. Will assist with HLC requirements.
 - e. Will develop labor relations by having adequate FT faculty to cover enrollment.
 - f. Will help student success by increasing FT faculty dedicated to teaching.
2. Academic Infrastructure Development
 - a. Faculty driven infrastructure project to enhance academic strength:
 - i. "4-Dean" Model
 1. Increase deanships to serve disciplines better and lead faculty.
 - ii. Division Chairs / Lead Faculty
 1. Develop leadership within disciplines.
 2. Provide opportunities for mentoring online faculty and adjuncts.
 3. Assist with and facilitate adjunct evaluations.
 - a. HLC Requirement
 - b. Best practice for assessment and quality control
3. Labor Relations Initiatives
 - a. Association & College President Open Forums
 - i. At least twice per year
 - ii. Both Presidents convene in open forum to discuss concerns/issues
 - b. Labor-Management Committee
 - i. Strengthening and expansion of LMC to identify and resolve issues before becoming problems.
 - ii. Focus on keeping morale and quality at high levels.
 - c. Departmental Collaboration Meetings
 - i. Union members have collaborative input on operations of each department.
 - ii. Ensures all perspectives are at the table.
 1. Example – Enrollment Management
 - a. Course caps set based on discipline, to be reviewed annually
 - b.

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.

Eastern Gateway Community College
Jefferson County, Ohio
Management's Discussion and Analysis
June 30, 2020 and 2019

- 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.

Eastern Gateway Community College
Jefferson County, Ohio
Management's Discussion and Analysis
June 30, 2020 and 2019

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 Puggle 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 completed work on the Student Success Center Project. This project was to 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 was 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 September 2018.

In 2019 the College was awarded \$1,500,000 in State of Ohio capital appropriations. This funding was used for 3 projects. Project 1: The remainder of the 15% of the roof was replaced, that was not replaced in 2014 project. This was completed in October 2019. Project 2: Add a driveway and landscaping to the entrance of the renovation project from 2018. This was to complete the exterior of the renovation project that could not be funded in 2018. In addition, this portion of the project also replaced all external and internal signage for the main campus. This was completed in October of 2019. Project 3: Installation of security cameras and a door access system, to increase security on campus. This project is scheduled to be completed by December 2019.

Due to COVID-19, the 2020-2021 capital appropriations have been delayed. No project has been started for 2020 to date.

Capital Projects – Local Funding

On June 30, 2020, the College issued \$12.6 million of General Receipts bonds for the following purposes:

- The acquisition of two properties in downtown Youngstown, all of which are currently owned by third parties a and leased to EGCC for their campus buildings;
- Renovations to update and install new HVAC equipment in Thomas Humphries Hall;
- Buildout and furnishing of the Health Workforce Building;
- New security system for the two new Youngstown buildings,
- Sidewalk reconstruction and exterior lighting improvements;
- Workforce Training Facility in Trumbull County, and
- New equipment and other improvements to the two College campuses.

Eastern Gateway Community College
Jefferson County, Ohio
Management's Discussion and Analysis
June 30, 2020 and 2019

Technology Services

Technology Services projects for fiscal years 2017 through 2020 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 outdated 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 was completed to provide faster deployment of student accounts once the student is enrolled.

FY19:

- The technology help desk was brought internal to enhance and provide a higher level of support for our students.
- 50% of the classroom PCs were purchased for the Youngstown Campus to cycle outdated equipment.
- Active Directory services are being moved to the Azure in the cloud. This is to provide a higher level of access and single sign for students. This will also provide a new student portal for students in early 2020.
- All computers were updated to Windows 10 to provide both students and staff with better security and performance at the College.
- The College switched to a new online eTextbook provider to lower the costs of eTextbooks for students and the Ohio Affordability and Efficiency project. 87% of the textbooks at the College are now eTextbooks.

FY20:

- CrowdStrike was implemented to provide AI Cybersecurity on all desktops and servers.
- Many courses have been converted to OER (Open Educational Resources) to provide zero-dollar textbooks for students.
- A new student services area was added to the student portal as part of the CampusCloud (SIS) launch

Eastern Gateway Community College
Jefferson County, Ohio
Management's Discussion and Analysis
June 30, 2020 and 2019

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:

- Implemented 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 launched several internally developed databases to help manage the departments' growth. These systems are: Course load and auxiliary classes, New and revised program tracker, and an Adjunct tracking system.
- An Issue Resolution system was created and launched to better manage student, faculty, and staff complaints. Ensuring 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.
- A new ERP system is being explored to replace several outdated systems and bring new services to the college.

FY19:

- Oracle HCM (Human Capital Management), ERP (Enterprise Resource Planning) and Budgeting and Planning system were launched.
- A new VOIP (Voice over IP) system was installed to increase call capacity and call management.
- An Employee Portal was created as a company intranet to provide a single point of access for all employees to all College digital services.
- Implementation of a new SIS (Student Information System) was started in 2019, the project is to complete early 2020.

FY20:

- CampusCloud, the college's new SIS launched in 2020.
- OIC (Oracle Integration Cloud) was launched to provide integration with the Oracle cloud service and other cloud vendors, such as the SIS.
- OAC (Oracle Analytics Cloud) was launched to provide BI (Business Intelligence). This allows the college to pull data from all primary systems and display the information via online dashboards.
- KnowBe4 was implemented to provide Cybersecurity by training staff on phishing campaigns

Eastern Gateway Community College
Jefferson County, Ohio
Management's Discussion and Analysis
June 30, 2020 and 2019

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

In FY17 through FY20 the Technology Services Department supported this effort by:

- Several of the initiatives above are using outsourced services and internal support centers; Transcript evaluation, Technology Services Help Desk, and Financial Aid Help Desk. Being able to leverage outsource services and internal support centers 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.
- Move to several cloud-based systems to remove outdated on-prem servers to avoid the replacement costs, licensing costs, and maintenance costs of on-prem equipment.
- Implementation of a new ERP and Budgeting and Planning system to greatly improve financial and budgeting analysis.
- In FY20, EGCC moved support services for Oracle HCM, ERP and Budge & Planning from the implementation team to Oracle support, saving \$350,000 annually.

EASTERN GATEWAY COMMUNITY COLLEGE
Statements of Net Position
June 30, 2020 and 2019

	EGCC 2020	EGCC 2019	Component Unit Foundation 2020	Component Unit Foundation 2019
Assets				
Current assets				
Cash and cash equivalents	\$ 13,167,098	\$ 2,486,810	\$ 256,650	\$ 187,738
Short-term investments	10,000	10,000	-	-
Student accounts receivable, net	87,568,683	39,770,326	-	-
Property tax receivable	1,175,647	1,074,316	-	-
Other receivables	22,110,039	829,998	2,188	-
Prepaid expenses	120,328	160,638	-	-
Inventory	201,665	96,421	-	-
Total current assets	<u>124,353,460</u>	<u>44,428,509</u>	<u>258,838</u>	<u>187,738</u>
Non-current assets				
Restricted cash and cash equivalents	865,307	335,110	-	-
Endowment investments	265,974	281,288	688,399	698,600
Capital assets, net	29,608,140	21,390,268	-	-
OPEB:				
STRS	1,538,415	992,656	-	-
Total non-current assets	<u>32,277,836</u>	<u>22,999,322</u>	<u>688,399</u>	<u>698,600</u>
Total assets	<u>156,631,296</u>	<u>67,427,831</u>	<u>947,237</u>	<u>886,338</u>
Deferred Outflow of Resources				
Pensions:				
SERS	2,086,135	2,688,821	-	-
STRS	11,038,591	6,559,316	-	-
OPEB:				
SERS	1,118,137	801,715	-	-
STRS	728,959	655,536	-	-
Total deferred outflow of resources	<u>14,971,822</u>	<u>10,705,388</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	14,636,392	2,025,007	7,702	-
Accrued wages	1,907,367	1,331,215	-	-
Unearned revenue	84,654,392	30,903,321	-	-
Compensated absences - current portion	426,914	294,220	-	-
Long-term debt - current portion	1,950,263	1,627,921	-	-
Total current liabilities	<u>103,575,328</u>	<u>36,181,684</u>	<u>7,702</u>	<u>-</u>
Non-current liabilities				
Bonds payable	14,809,392	1,242,456	-	-
Loans Payable	2,159,518	2,845,364	-	-
ORACLE Payable	2,592,120	3,420,038	-	-
Net pension liability - SERS	9,304,418	7,939,671	-	-
Net pension liability - STRS	20,541,123	13,582,863	-	-
Net OPEB liability - SERS	3,628,834	3,646,032	-	-
Compensated absences	855,076	589,325	-	-
Total non-current liabilities	<u>53,890,481</u>	<u>33,265,749</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>157,465,809</u>	<u>69,447,433</u>	<u>7,702</u>	<u>-</u>
Deferred Inflows of Resources				
Property taxes	659,975	558,644	-	-
Pensions:				
SERS	119,433	232,039	-	-
STRS	1,717,902	2,162,443	-	-
OPEB:				
SERS	1,000,455	333,038	-	-
STRS	1,861,585	1,523,809	-	-
Total deferred inflows of resources	<u>5,359,350</u>	<u>4,809,973</u>	<u>-</u>	<u>-</u>
Net Position				
Net investments in capital assets	15,299,751	15,769,304	-	-
Restricted for				
Non-expendable				
Scholarships	64,555	64,555	365,662	375,835
Expendable				
Scholarships	407,943	419,839	441,954	355,578
Capital	127,093	113,550	-	20,995
Education and General	1,021,713	61,905	-	-
Agency	35,612	12,282	-	-
Unrestricted Fund Balance	<u>(8,178,708)</u>	<u>(12,565,822)</u>	<u>131,919</u>	<u>133,930</u>
Total net position	<u>\$ 8,777,959</u>	<u>\$ 3,875,813</u>	<u>\$ 939,535</u>	<u>\$ 886,338</u>

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, 2020 and 2019

	EGCC 2020	EGCC 2019	Component Unit Foundation 2020	Component Unit Foundation 2019
Revenues				
Operating revenues				
Tuition and student fees, net	\$ 8,231,430	\$ 6,877,926	\$ -	\$ -
Federal grants and contracts	1,992,194	948,040	-	-
Auxiliary enterprises revenue	198,844	15,216	-	-
State grants and contracts	1,398,952	887,172	-	-
Local grants and contracts	114,884	547,024	-	-
Other operating revenue	215,400	1,354,272	-	-
Partnership income	7,717,894	3,203,850	-	-
Donations	119,734	23,082	119,850	443,942
Total operating revenue	<u>19,989,332</u>	<u>13,856,582</u>	<u>119,850</u>	<u>443,942</u>
Expenses				
Operating expenses:				
Education and general	26,773,522	14,647,140	56,025	271,871
Public services	881,897	821,944	-	-
Academic support	1,058,230	1,272,030	-	-
Student services	5,388,452	5,641,155	-	-
Institutional support	27,717,612	17,619,033	-	-
Operation and maintenance of plant	551,689	983,612	-	-
Scholarships and fellowships	1,007,413	568,848	12,064	178,073
Auxiliary enterprises	25,791	31,927	-	-
Depreciation and amortization expense	1,908,437	1,479,804	-	-
Total operating expenses	<u>65,313,043</u>	<u>43,065,493</u>	<u>68,089</u>	<u>449,944</u>
Operating (loss) income	<u>(45,323,711)</u>	<u>(29,208,911)</u>	<u>51,761</u>	<u>(6,002)</u>
Non-operating revenue(expenses)				
Capital funds	13,543	49,207	-	-
State grants and contracts	11,043,511	9,530,799	-	-
Federal grants and contracts	38,210,938	24,148,360	-	-
Investment income (loss)	10,996	42,247	1,436	63,106
Interest expense	(154,842)	(100,370)	-	-
Property taxes	1,101,711	1,095,370	-	-
Total non- operating revenue (expenses)	<u>50,225,857</u>	<u>34,765,613</u>	<u>1,436</u>	<u>63,106</u>
Change in net position	4,902,146	5,556,702	53,197	57,104
Net position				
Net Position, beginning of the year	3,875,813	(1,680,889)	886,338	829,234
Net Position, end of year	<u>\$ 8,777,959</u>	<u>\$ 3,875,813</u>	<u>\$ 939,535</u>	<u>\$ 886,338</u>

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, 2020 and 2019

	EGCC 2020	EGCC 2019	Component Unit Foundation 2020	Component Unit Foundation 2019
Cash flow from operating activities				
Student tuition and fees	\$ 4,747,713	\$ 2,326,432	\$ -	\$ -
Grants and contracts	3,008,614	2,382,236	-	-
Payments to suppliers	(20,207,029)	(14,284,753)	(48,323)	(271,871)
Employee and related payments	(29,721,784)	(23,081,049)	-	-
Auxiliary enterprise	173,053	(20,113)	-	-
Gifts and Endowments Received	119,734	23,082	117,662	443,942
Payments for Scholarships	(1,007,413)	(568,848)	(12,064)	(178,073)
Other Income (loss)	215,400	1,354,272	-	-
Net cash used by operating activities	<u>(42,671,712)</u>	<u>(31,868,741)</u>	<u>57,275</u>	<u>(6,002)</u>
Cash flows from non-capital financing activities				
State appropriations	11,043,511	9,530,799	-	-
Local property tax receipts	1,101,711	1,076,390	-	-
Grants and contracts	37,713,522	23,831,597	-	-
Proceeds from debt	-	2,000,000	-	-
Principal paid on debt	(650,000)	(450,000)	-	-
Interest paid on debt	(87,297)	(43,776)	-	-
Net cash provided by non-capital financing activities	<u>49,121,447</u>	<u>35,945,010</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities				
Capital grants received	13,543	49,207	-	-
Proceeds from capital debt	13,734,324	-	-	-
Purchases of capital assets	(8,387,929)	(2,059,806)	-	-
Principle payments on capital related debt	(668,211)	(610,927)	-	-
Interest payments on bond payable	(67,545)	(56,594)	-	-
Net cash provided/(used) by capital and related financing activities	<u>4,624,182</u>	<u>(2,678,120)</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities				
Net Purchase of Investments	-	-	(3,546)	(150,000)
Net Sale of Investments	125,572	-	-	63,012
Investment income	10,996	42,247	15,183	15,619
Net cash provided by investing activities	<u>136,568</u>	<u>42,247</u>	<u>11,637</u>	<u>(71,369)</u>
Net (decrease) increase in cash	<u>11,210,485</u>	<u>1,440,396</u>	<u>68,912</u>	<u>(77,371)</u>
Cash and cash equivalents, beginning of year	<u>2,821,920</u>	<u>1,381,524</u>	<u>187,738</u>	<u>265,109</u>
Cash and cash equivalents, end of year	<u>\$ 14,032,405</u>	<u>\$ 2,821,920</u>	<u>256,650</u>	<u>187,738</u>
Reconciliation of operating (loss) income to net cash used by operating activities:				
Operating (loss) income	\$ (45,323,711)	\$ (29,208,911)	51,761	(6,002)
Adjustments to reconcile operating (loss) income to net cash used by operating activities:				
Depreciation and amortization	1,908,437	1,479,804	-	-
Net pension/OPEB activity	3,941,662	(1,319,351)	-	-
(Increase) decrease in assets:				
Receivables, net	(69,078,398)	(28,698,540)	(2,188)	-
Inventories	(105,244)	(94,761)	-	-
Prepaid expense	40,310	466,368	-	-
(Decrease) increase in liabilities:				
Accounts payable and accrued liabilities	11,795,716	1,458,516	7,702	-
Unearned revenue	53,751,071	23,929,538	-	-
Compensated absences	398,445	118,596	-	-
Net cash used by operating activities	<u>\$ (42,671,712)</u>	<u>\$ (31,868,741)</u>	<u>57,275</u>	<u>(6,002)</u>

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

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

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.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

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, Pell grants, 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, 2020 and 2019.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

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 10 and 11.

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, 2020, but which were levied to finance fiscal year 2020 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 10 and 11.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

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.

Change in Accounting Principles and Restatement of Net Position

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

The following statements are postponed by one year:

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

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

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

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in Accounting Principles and Restatement of Net Position – (continued)

For the fiscal year ended June 30, 2019, the following have been implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 sets out to address the accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The implementation of GASB Statement No. 83 did not have an effect on the financial statements.

GASB Statement No. 88 sets out to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. If applicable, GASB Statement No. 88 has been implemented in the notes to financial statements.

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.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

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

As of June 30, 2020 the College had the following cash and cash equivalents:

<u>Description</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking and Savings Accounts	\$ 13,167,098	\$ 13,383,271
Restricted Cash	<u>865,307</u>	<u>865,307</u>
Total Cash and Cash Equivalents	<u>\$ 14,032,405</u>	<u>\$ 14,248,578</u>

As of June 30, 2019 the College had the following cash and cash equivalents:

<u>Description</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking and Savings Accounts	\$ 2,486,810	\$ 2,504,482
Restricted Cash	<u>335,110</u>	<u>335,110</u>
Total Cash and Cash Equivalents	<u>\$ 2,821,920</u>	<u>\$ 2,839,592</u>

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: Custodial credit risk for deposits is the risk that in the event of a bank failure, the College will not be able to recover deposits or collateral securities that are in the possession of an outside party. Of the June 30, 2020 bank balance of \$14,248,578, the Federal Depository Insurance Corporation insured \$500,000 and the balance of \$13,748,578 was exposed to custodial credit risk. Of the June 30, 2019 bank balance of \$2,839,592, the Federal Depository Insurance Corporation insured \$250,000 and the balance of \$2,589,592 was exposed to custodial credit risk. The College has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the College and deposited with a qualified trustee by the financial institution as a security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of the State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

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

As of June 30, 2020 the College’s investments had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Negotiable Certificates of Deposit	\$ -	\$ 10,000	\$ -
Equity and Fixed Income	265,974	-	-
Total	<u>\$ 265,974</u>	<u>\$ 10,000</u>	<u>\$ -</u>

As of June 30, 2019 the College’s investments had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Negotiable Certificates of Deposit	\$ -	\$ 10,000	\$ -
Equity and Fixed Income	281,288	-	-
Total	<u>\$ 281,288</u>	<u>\$ 10,000</u>	<u>\$ -</u>

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

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

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2020 and 2019, consisted of accounts (tuition and other fees), interest, levy receivables, receivable due from the College’s partner in Youngstown, Higher Education Partners, intergovernmental grants and financial aid. 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 FY20 and FY19 include unearned revenue of \$84,654,392 and \$30,903,321, respectively.

Other receivables consisted of the following:

	<u>2020</u>	<u>2019</u>
Grants Receivable	\$ 606,308	\$ 108,892
State of Ohio - College Credit Plus	852,982	113,530
Higher Education Partners (HEP) Receivable	8,000	416,500
Third Parties	146,814	21,896
EGCC Foundation	7,702	-
Workplace Training	65,125	-
Financial Aid	20,423,105	169,177
Interest Receivable	3	3
Total Other Receivables	<u>\$ 22,110,039</u>	<u>\$ 829,998</u>

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 5 – BOOKSTORE INVENTORY

In May 2019, the College assumed ownership and operational control of the bookstores in Steubenville and Youngstown. The inventory value (lower of cost or market) at June 30, 2020 and June 30, 2019 was \$ 201,665 and \$96,421, respectively.

NOTE 6 – CAPITAL ASSETS

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

Description	Balance at July 1, 2019	Increases	Decreases	Adjustments	Balance at June 30, 2020
Capital Assets, Non-Depreciable:					
Land	\$ 679,144	\$ -	\$ -	\$ -	\$ 679,144
Construction in Progress	291,590	1,411,938	(291,590)	-	\$ 1,411,938
Total Capital Assets, Non-Depreciable	970,734	1,411,938	(291,590)	-	2,091,082
Capital Assets, Depreciable					
Buildings and Improvements	25,469,991	8,480,046	-	-	\$ 33,950,037
Equipment and Furniture	10,251,399	179,356	(24,134)	-	\$ 10,406,621
Total Capital Assets, Depreciable	35,721,390	8,659,402	(24,134)	-	44,356,658
Less Accumulated Depreciation:					
Buildings and Improvements	(11,932,733)	(578,353)	-	267,037 *	\$ (12,244,049)
Equipment and Furniture	(3,369,123)	(1,330,084)	24,134	79,522 *	\$ (4,595,551)
Total Accumulated Depreciation	(15,301,856)	(1,908,437)	24,134	346,559	(16,839,600)
Total Capital Assets, Depreciable, Net	20,419,534	6,750,965	-	346,559	27,517,058
Total Capital Assets, Net	\$ 21,390,268	\$ 8,162,903	\$ (291,590)	\$ 346,559	\$ 29,608,140

* Adjustments were required to correct an error in useful lives in accounting system conversion.

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EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 6 – CAPITAL ASSETS (continued)

Description	Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019
Capital Assets, Non-Depreciable:				
Land	\$ 679,144	\$ -	\$ -	\$ 679,144
Construction in Progress	<u>1,622,497</u>	<u>291,590</u>	<u>(1,622,497)</u>	<u>291,590</u>
Total Capital Assets, Non-Depreciable	2,301,641	291,590	(1,622,497)	970,734
Capital Assets, Depreciable				
Buildings and Improvements	23,650,181	1,819,810	-	25,469,991
Equipment and Furniture	<u>3,663,698</u>	<u>6,587,701</u>	<u>-</u>	<u>10,251,399</u>
Total Capital Assets, Depreciable	27,313,879	8,407,511	-	35,721,390
Less Accumulated Depreciation:				
Buildings and Improvements	(11,422,655)	(510,078)	-	(11,932,733)
Equipment and Furniture	<u>(2,399,397)</u>	<u>(969,726)</u>	<u>-</u>	<u>(3,369,123)</u>
Total Accumulated Depreciation	(13,822,052)	(1,479,804)	-	(15,301,856)
Total Capital Assets, Depreciable, Net	<u>13,491,827</u>	<u>6,927,707</u>	<u>-</u>	<u>20,419,534</u>
Total Capital Assets, Net	<u>\$ 15,793,468</u>	<u>\$ 7,219,297</u>	<u>\$ (1,622,497)</u>	<u>\$ 21,390,268</u>

NOTE 7 – 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 \$11,043,511 of student-based subsidy in fiscal year 2020 and \$9,530,799 in fiscal year 2019.

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 8 – 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.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 8 – LOCAL APPROPRIATIONS (continued)

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 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, 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 2020 represent collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 and collected in 2020 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.

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 delinquent tangible personal property taxes which are measurable as of June 30, 2020 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.

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EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 9 – LONG-TERM LIABILITIES

Changes in the College’s long-term liabilities during fiscal year 2020 were as follows:

	<u>Balance at</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
Bonds:					
OAQDA 2014 Series A	\$ 545,921	\$ -	\$ (123,701)	\$ 422,220	\$ 126,549
OAQDA 2014 Series B	820,236	-	-	820,236	-
Improvement Bonds					
Serial Bonds	-	4,525,000		4,525,000	-
Term Bonds	-	8,060,000		8,060,000	-
Unamortized Premium	-	1,108,485		1,108,485	-
Total Bonds	<u>1,366,157</u>	<u>13,693,485</u>	<u>(123,701)</u>	<u>14,935,941</u>	<u>126,549</u>
Direct Borrowings and Placements:					
Equipment Loan	84,815	-	(19,693)	65,122	20,604
Tax Anticipation Notes	3,430,000	-	(650,000)	2,780,000	665,000
ORACLE	<u>4,254,807</u>	<u>-</u>	<u>(524,817)</u>	<u>3,729,990</u>	<u>1,137,870</u>
Total Direct Borrowings	<u>7,769,622</u>	<u>-</u>	<u>(1,194,510)</u>	<u>6,575,112</u>	<u>1,823,474</u>
Net Pension and OPEB Liability:					
Pension	21,522,534	8,323,007	-	29,845,541	-
OPEB	<u>3,646,032</u>	<u>-</u>	<u>(17,198)</u>	<u>3,628,834</u>	<u>-</u>
Total Net Pension and OPEB Liability	<u>25,168,566</u>	<u>8,323,007</u>	<u>(17,198)</u>	<u>33,474,375</u>	<u>-</u>
Other Long-Term Liabilities:					
Compensated Absences	<u>883,545</u>	<u>398,445</u>	<u>-</u>	<u>1,281,990</u>	<u>426,914</u>
Total Other Long-Term Liabilities	<u>883,545</u>	<u>398,445</u>	<u>-</u>	<u>1,281,990</u>	<u>426,914</u>
Total Long-Term Liabilities	<u>\$ 35,187,890</u>	<u>\$ 22,414,937</u>	<u>\$ (1,335,409)</u>	<u>\$ 56,267,418</u>	<u>\$ 2,376,937</u>

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EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 9 – LONG-TERM LIABILITIES (continued)

Changes in the College’s long-term liabilities during fiscal year 2019 were as follows:

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019	Due Within One Year
Bonds:					
OAQDA 2014 Series A	\$ 666,840	\$ -	\$ (120,919)	\$ 545,921	\$ 123,701
OAQDA 2014 Series B	820,236	-	-	820,236	-
Total Bonds	<u>1,487,076</u>	<u>-</u>	<u>(120,919)</u>	<u>1,366,157</u>	<u>123,701</u>
Direct Borrowings and Placements:					
Equipment Loan	104,422		(19,607)	84,815	19,451
Tax Anticipation Notes	1,880,000	2,000,000	(450,000)	3,430,000	650,000
ORACLE	-	4,725,208	(470,401)	4,254,807	834,769
Total Direct Borrowings	<u>1,984,422</u>	<u>6,725,208</u>	<u>(940,008)</u>	<u>7,769,622</u>	<u>1,504,220</u>
Net Pension and OPEB Liability:					
Pension	18,724,124	2,798,410	-	21,522,534	-
OPEB	4,870,533	-	(1,224,501)	3,646,032	-
Total Net Pension and OPEB Liability	<u>23,594,657</u>	<u>2,798,410</u>	<u>(1,224,501)</u>	<u>25,168,566</u>	<u>-</u>
Other Long-Term Liabilities:					
Compensated Absences	764,949	118,596	-	883,545	294,220
Total Other Long-Term Liabilities	<u>764,949</u>	<u>118,596</u>	<u>-</u>	<u>883,545</u>	<u>294,220</u>
Total Long-Term Liabilities	<u>\$ 27,831,104</u>	<u>\$ 9,642,214</u>	<u>\$ (2,285,428)</u>	<u>\$ 35,187,890</u>	<u>\$ 1,922,141</u>

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. In the event of default, as defined by the loan agreement, the amounts payable by the College may become due. In addition, the lender may have access to inspect, examine and make copies of the books, records and financial information. The lender may pursue any other remedies permitted by law to recover all amounts owed.

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. In the event of default, as defined by the loan agreement, the amounts payable by the College may become due. In addition, the lender may have access to inspect, examine and make copies of the books, records and financial information. The lender may pursue any other remedies permitted by law to recover all amounts owed.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 9 – LONG-TERM LIABILITIES (continued)

Equipment Loan

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. In the event of default, as defined by the loan agreement, the amounts payable by the College may become due. In addition, the lender may exercise any and all rights and remedies available to a secured party as allowed by statute to recover amounts owed as well as any expenses incurred in the exercise of any right or remedy.

ORACLE

In fiscal year 2019, the College entered into a direct financing agreement for the acquisition and installation of an ORACLE ERP system. The total amount of the financing agreement was \$4,725,208 with no interest payable over five years. In the event of default, as defined by the loan agreements, that is not cured within thirty days of written notice the lender may require all outstanding payments and other sums due to become immediately due and payable, the lender may terminate all rights to use the system and related services as well as pursue any other rights or remedies available by law.

Tax Anticipation Notes

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.

On June 28, 2019, 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 2.69 percent are payable on June 1 and December 1 of each year, until the principal amount is paid. The notes were issued for a five-year period with a final maturity date of June 1, 2024.

Improvement Bonds

On June 25, 2020 the College issued \$12,585,000 in serial and term bonds for the purpose of assisting the College in financing the acquisition and renovation of three buildings in Youngstown, Ohio. Interest payments, at a variable rate ranging from 2 to 4 percent are payable on December 1 each year, until the principal amount is paid. The bonds were issued for a thirty-year period with a final maturity date of December 1, 2050. The bonds were issued with a premium of \$1,108,485 and is being amortized over the life of the bonds. The bonds are considered general receipt obligations and are not considered general obligation bonds backed by the full faith and credit of the College. The owners have no rights to any excises or taxes levied by the College. In the event of default, as defined by the loan agreement, the Trustee may, and upon written request of the holders of not less than 25% in aggregate outstanding amount of the affected General Receipts Obligations shall, upon being properly indemnified, take appropriate actions, in equity or at law, to protect and enforce all the rights of the Trustee and the Bondholders under the agreement. In addition, provided the conditions mentioned previously are met, the Trustee may also declare all of the outstanding bonds and accrued interest due and payable.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 9 – LONG-TERM LIABILITIES (continued)

Principal and interest requirements to retire the bonds and direct borrowings outstanding as of June 30, 2020 are as follows:

Fiscal Year Ending June 30,	OAQDA Series A		OAQDA Series B		Equipment Loan		ORACLE	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 126,549	\$ 9,762	\$ -	\$ 41,176	\$ 20,604	\$ 3,881	\$ 1,137,870	\$ -
2022	129,460	6,836	-	41,176	22,210	2,130	1,212,681	-
2023	132,438	3,843	-	41,176	22,308	772	1,379,439	-
2024	33,773	782	101,712	41,176	-	-	-	-
2025	-	-	138,236	36,070	-	-	-	-
2026-2030	-	-	580,288	73,525	-	-	-	-
2031-2035	-	-	-	-	-	-	-	-
2036-2040	-	-	-	-	-	-	-	-
2041-2045	-	-	-	-	-	-	-	-
2046-2050	-	-	-	-	-	-	-	-
2051-2055	-	-	-	-	-	-	-	-
	<u>\$ 422,220</u>	<u>\$ 21,223</u>	<u>\$ 820,236</u>	<u>\$ 274,299</u>	<u>\$ 65,122</u>	<u>\$ 6,783</u>	<u>\$ 3,729,990</u>	<u>\$ -</u>

Fiscal Year Ending June 30,	Tax Anticipation Notes		Improvement Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 665,000	\$ 69,157	\$ -	\$ 423,267	\$ 1,950,023	\$ 547,243
2022	685,000	51,806	235,000	451,150	2,284,351	553,098
2023	705,000	33,760	240,000	445,200	2,479,185	524,751
2024	725,000	14,660	250,000	437,850	1,110,485	494,468
2025	-	-	255,000	430,275	393,236	466,345
2026-2030	-	-	1,425,000	2,002,400	2,005,288	2,075,925
2031-2035	-	-	1,730,000	1,709,350	1,730,000	1,709,350
2036-2040	-	-	2,110,000	1,326,350	2,110,000	1,326,350
2041-2045	-	-	2,575,000	859,250	2,575,000	859,250
2046-2050	-	-	3,090,000	341,450	3,090,000	341,450
2051-2055	-	-	675,000	10,125	675,000	10,125
	<u>\$ 2,780,000</u>	<u>\$ 169,383</u>	<u>\$ 12,585,000</u>	<u>\$ 8,436,667</u>	<u>\$ 20,402,568</u>	<u>\$ 8,908,355</u>

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EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 10 – DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

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

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal years ended June 30, 2020 and 2019, the allocation to pension, death benefits, and Medicare B was 14.0 percent and 13.5 percent, respectively. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2019. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2020.

The College’s contractually required contribution to SERS was \$834,561 and \$729,123 for fiscal years 2020 and 2019, respectively.

Plan Description - State Teachers Retirement System (STRS)

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

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

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

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 years ended June 30, 2020 and 2019, 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 years 2020 and 2019 contribution rates were equal to the statutory maximum rates.

The College’s contractually required contribution to STRS was \$2,077,191 and \$1,526,720 for fiscal years 2020 and 2019, respectively.

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

The net pension liability was measured as of June 30, 2018 and 2019, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The College's proportion of the net pension liability was based on the employer’s share of employer contributions in the pension plan relative to the total employer contributions of all participating employers.

Following is information related to the proportionate share and pension expense measured as of June 30, 2018:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.13863130%	0.06177467%	
Prior Measurement Date	<u>0.11379980%</u>	<u>0.05019882%</u>	
Change in Proportionate Share	<u>0.02483150%</u>	<u>0.01157585%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 7,939,671	\$ 13,582,863	\$ 21,522,534
Pension Expense	\$ 1,444,544	\$ 1,275,146	\$ 2,719,690

Following is information related to the proportionate share and pension expense measured as of June 30, 2019:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.15550970%	0.09288574%	
Prior Measurement Date	<u>0.13863130%</u>	<u>0.06177467%</u>	
Change in Proportionate Share	<u>0.01687840%</u>	<u>0.03111107%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 9,304,418	\$ 20,541,123	\$ 29,845,541
Pension Expense	\$ 2,689,388	\$ 4,081,635	\$ 6,771,023

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

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.

At June 30, 2019 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	\$ 435,441	\$ 313,535	\$ 748,976
Changes of Assumptions	179,294	2,407,139	2,586,433
Changes in Proportion and Differences between			
College Contributions and Proportionate			
Share of Contributions	1,344,963	2,311,922	3,656,885
College Contributions Subsequent to the			
Measurement Date	729,123	1,526,720	2,255,843
Total Deferred Outflows of Resources	\$ 2,688,821	\$ 6,559,316	\$ 9,248,137
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 0	\$ 88,704	\$ 88,704
Net Difference between Projected and			
Actual Earnings on Pension Plan Investments	219,982	823,649	1,043,631
Changes in Proportion and Differences between			
College Contributions and Proportionate			
Share of Contributions	12,057	1,250,090	1,262,147
Total Deferred Inflows of Resources	\$ 232,039	\$ 2,162,443	\$ 2,394,482

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 235,941	\$ 167,239	\$ 403,180
Changes of Assumptions	0	2,382,951	2,382,951
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions	1,015,633	6,411,210	7,426,843
College Contributions Subsequent to the Measurement Date	<u>834,561</u>	<u>2,077,191</u>	<u>2,911,752</u>
Total Deferred Outflows of Resources	<u>\$ 2,086,135</u>	<u>\$ 11,038,591</u>	<u>\$ 13,124,726</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 0	\$ 88,919	\$ 88,919
Net Difference between Projected and Actual Earnings on Pension Plan Investments	119,433	1,003,937	1,123,370
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions	0	625,046	625,046
Total Deferred Inflows of Resources	<u>\$ 119,433</u>	<u>\$ 1,717,902</u>	<u>\$ 1,837,335</u>

\$2,911,752 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ 1,096,476	\$ 2,418,679	\$ 3,515,155
2022	(24,122)	2,049,470	2,025,348
2023	(7,948)	1,469,930	1,461,982
2024	<u>67,735</u>	<u>1,305,419</u>	<u>1,373,154</u>
	<u>\$ 1,132,141</u>	<u>\$ 7,243,498</u>	<u>\$ 8,375,639</u>

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.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018 and 2019, are presented below:

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

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

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

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

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

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

Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

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

Fiscal Year 2020:

	1% Decrease	Current Discount Rate	1% Increase
College's Proportionate Share of the Net Pension Liability	\$ 13,038,816	\$ 9,304,418	\$ 6,172,658

Fiscal Year 2019:

	1% Decrease	Current Discount Rate	1% Increase
College's Proportionate Share of the Net Pension Liability	\$ 11,183,626	\$ 7,939,671	\$ 5,219,833

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018 and 2019, actuarial valuation, are presented below:

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

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

The actuarial assumptions used in the July 1, 2018 and 2019 valuations, were based on the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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

*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.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018 and 2019. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018 and 2019. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018 and 2019.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

Fiscal Year 2020

	1% Decrease	Current Discount Rate	1% Increase
College's Proportionate Share of the Net Pension Liability	\$ 30,018,562	\$ 20,541,123	\$ 12,517,984

Fiscal Year 2019

	1% Decrease	Current Discount Rate	1% Increase
College's Proportionate Share of the Net Pension Liability	\$ 19,835,983	\$ 13,582,863	\$ 8,290,445

NOTE 11 – DEFINED BENEFIT OPEB PLANS

See Note 10 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

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 2019, 0.5 percent of covered payroll was made to health care. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal years 2019 and 2020, this amount was \$21,600 and \$19,600, respectively. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the College's surcharge obligation was \$19,528 and \$17,368 for fiscal year 2019.

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 contractually required contribution to SERS was \$19,528 for fiscal year 2020 and \$44,373 for fiscal year 2019. Of these amounts, \$19,528 is reported as accrued liabilities for 2020 and \$18,238 for 2019.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal years ended June 30, 2019 and 2020, STRS did not allocate any employer contributions to post-employment health care.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

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

The net OPEB liability (asset) was measured as of June 30, 2018 and 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability (asset) was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense measured as of June 30, 2018:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.13142300%	0.06177467%	
Prior Measurement Date	0.10850390%	0.05019882%	
Change in Proportionate Share	0.02291910%	0.01157585%	
 Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 3,646,032	\$ (992,656)	
OPEB Expense	\$ 320,055	\$ (2,058,880)	\$ (1,738,825)

Following is information related to the proportionate share and OPEB expense measured as of June 30, 2019:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.1442820%	0.0928860%	
Prior Measurement Date	0.1314230%	0.0617750%	
Change in Proportionate Share	0.0128590%	0.0311110%	
 Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 3,628,384	\$ (1,538,415)	
OPEB Expense	\$ 352,875	\$ (281,406)	\$ 71,469

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EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 59,516	\$ 115,944	\$ 175,460
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions	697,826	539,592	1,237,418
College Contributions Subsequent to the Measurement Date	44,373	0	44,373
Total Deferred Outflows of Resources	<u>\$ 801,715</u>	<u>\$ 655,536</u>	<u>\$ 1,457,251</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 0	\$ 57,836	\$ 57,836
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	5,470	113,401	118,871
Changes of Assumptions	327,568	1,352,572	1,680,140
Total Deferred Inflows of Resources	<u>\$ 333,038</u>	<u>\$ 1,523,809</u>	<u>\$ 1,856,847</u>

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 53,261	\$ 139,470	\$ 192,731
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	8,708	0	8,708
Changes of Assumptions	265,012	32,337	297,349
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions	771,628	557,152	1,328,780
College Contributions Subsequent to the Measurement Date	19,528	0	19,528
Total Deferred Outflows of Resources	<u>\$ 1,118,137</u>	<u>\$ 728,959</u>	<u>\$ 1,847,096</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 797,132	\$ 78,269	\$ 875,401
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	0	96,623	96,623
Changes of Assumptions	203,323	1,686,693	1,890,016
Total Deferred Inflows of Resources	<u>\$ 1,000,455</u>	<u>\$ 1,861,585</u>	<u>\$ 2,862,040</u>

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

\$19,528 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	\$ 6,468	\$ (256,397)	\$ (249,929)
2022	41,105	(256,398)	(215,293)
2023	43,663	(217,671)	(174,008)
2024	43,245	(204,091)	(160,846)
2025	(12,654)	(221,110)	(233,764)
Thereafter	(23,673)	23,041	(632)
	\$ 98,154	\$ (1,132,626)	\$ (1,034,472)

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.

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EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 11 – 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, 2019, are presented below:

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, 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	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate	
Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Medicare	5.375 percent - 4.75 percent
Pre-Medicare	7.25 percent - 4.75 percent

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

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

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

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

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

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

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

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates for Fiscal Year 2020 The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
College's Proportionate Share of the Net OPEB Liability	\$ 4,404,176	\$ 3,628,384	\$ 3,011,547

	1% Decrease	Current Trend Rate	1% Increase
College's Proportionate Share of the Net OPEB Liability	\$ 2,907,074	\$ 3,628,384	\$ 4,585,398

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 for Fiscal Year 2019 The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percent lower (6.25 percent decreasing to 3.75 percent) and one percent higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
College's Proportionate Share of the Net OPEB Liability	\$ 4,424,173	\$ 3,646,032	\$ 3,029,890

	1% Decrease	Current Trend Rate	1% Increase
College's Proportionate Share of the Net OPEB Liability	\$ 2,941,679	\$ 3,646,032	\$ 4,578,722

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EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – STRS

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

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

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, 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
Health Care Cost Trend Rates	-5.23 percent to 9.62 percent, initial, 4.00 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.

The actuarial assumptions used in the June 30, 2019 and 2018 valuations, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019.

Sensitivity of the College's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate The following tables represent the net OPEB asset for fiscal years 2020 and 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB liability calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

Fiscal Year 2020:

	1% Decrease	Current Discount Rate	1% Increase
College's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,312,731)	\$ (1,538,415)	\$ (1,728,163)
	1% Decrease	Current Trend Rate	1% Increase
College's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,744,492)	\$ (1,538,415)	\$ (1,286,021)

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Fiscal Year 2019:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
College's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (850,799)	\$ (992,656)	\$ (1,111,880)
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
College's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (1,105,149)	\$ (992,656)	\$ (878,410)

NOTE 12 – 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 \$2,500, in a Health Savings Account, to use for reimbursement of expenses for non-covered medical payments, co-payments, etc. If a full-time employee waives medical coverage, the College will pay a cash reward of \$5,000 per taxable year to waive medical coverage.

Rates – July 1, 2019 to June 30, 2020

	<u>PPO</u>
Single Coverage	\$ 623.57
Employee/Spouse	1,370.58
Employee/Child	1,052.57
Family Coverage	1,924.96

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 12 – 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 2020, 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:

<u>Coverage</u>	<u>Amount</u>	<u>Deductible</u>
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	-

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Litigations

To management's knowledge, there were no lawsuits or claims pending against Eastern Gateway Community College at June 30, 2020 and 2019. 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. In FY2020 the agreement was terminated; the College paid \$810,564 to settle prior liabilities.

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 College and the SRC negotiated a more cost effective arrangement with RedShelf to supply the online courseware. On September 3, 2019, the College terminated the agreement with (BNED) at a one-time cost of \$2,188,075. 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.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)

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. For fiscal years 2020 and 2019, the College's net income was \$7,717,894 and \$3,203,850, respectively.

NOTE 14 – 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. Copies of the Foundation's separately issued financial statements can be obtained by contacting the Foundation.

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.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the previous reporting model for not-for-profit organizations and enhances their required disclosures. The major changes relevant to the Foundation include; (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions, (b) requiring that all not-for-profit organizations present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, presenting investment return net of external and internal investment expenses, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of not-for-profit financial statements.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 14 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets and Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction – Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the “Board”) and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion.

Net Assets With Donor Restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

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 Management Estimates

The preparation of financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results may differ from those estimates.

Revenue and Support Recognition

The Foundation’s revenue and support recognition policies are as follows:

Contributions

Contributions received are recorded as net assets with or without restrictions, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Services Received from Personnel of an Affiliate

The Foundation records as in-kind revenue and expense, the amount of services provided by personnel of an affiliate for which the Foundation is not charged. This amount is determined by either the cost recognized by the affiliate for the personnel providing the service, or the fair value of that service.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 14 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The College provides an annual budget for personnel and general operating expenses of the Foundation, as well as the facilities occupied by the Foundation. The College also assists the Foundation in fund-raising, gift processing and accounting. The value of this operating budget, office space, and services provided constitutes in-kind revenue that the Foundation records in the statement of activities as in-kind revenue and expense. These operating costs provided by the College were \$251,645 for the year ended June 30, 2019.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Foundation considers all demand bank deposits as cash. The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at its net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using a risk-free interest rate determined at the time of the pledge. The Foundation had pledges receivable of \$2,188 as of June 30, 2020.

Investments in Marketable Securities

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value within the statements of financial position. Donated investments are recorded at fair value at the time of donation. Net realized and unrealized gains and losses are reported within the statement of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations.

Fair Value of Financial Instruments

The carrying values of the Foundation's financial instruments in the statements of financial position approximate their respective estimated fair value at June 30, 2020. The Foundation estimates fair values of its financial instruments using available quoted market information in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange. Different market assumptions might have a material effect on the estimated fair value amounts.

Donor Restricted Endowment Funds

The provisions of FASB ASC 958-205-45 provides guidance on classifying the net assets associated with donor restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Additional disclosures about endowments for both donor-restricted funds and board designated funds for all organizations, including those that are not yet subject to an enacted version of UPMIFA, are required to enable users to understand its endowment funds' net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, certain unrelated business activities may be subject to federal income taxes. The Foundation had no unrelated business activities and therefore, no provision for such taxes was necessary for the years ended June 30, 2020.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 14 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Generally accepted accounting principles require 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 statement of financial position along with any associated 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 February 2016, the FASB issued ASU No. 2016-02 entitled “Leases (Topic 842),” which will change the Foundation’s statement of financial position by adding lease-related assets and liabilities. This may affect compliance with contractual agreements and loan covenants. This new standard is currently effective for the Foundation’s annual reporting periods beginning after December 15, 2020. Early implementation is permitted. Management is currently evaluating the impact of this provision on the Foundation’s financial statements.

Subsequent Events

The Foundation has evaluated subsequent events through March 11, 2020, the date on which the financial statements were available to be issued. Management has determined that there were no transactions or events that required disclosure through the evaluation date.

3. RISKS AND UNCERTAINTIES

Uninsured Risk – Cash Deposits

The Foundation maintains its cash and cash equivalents balances at Huntington Bank in Steubenville, Ohio. Deposits in interest-bearing and non-interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a coverage limit of \$250,000. Uninsured cash funds held by the institution are subject to a collateral agreement covering all public funds held by the institution. As of June 30, the Foundation had a balance of \$143,215 at this institution. The difference between bank balance and carry balance represents normal reconciling items.

Concentration of Credit Risk

Financial instruments, which potentially subject the Foundation to concentration of credit risk, consist principally of investments. Exposure to losses on pledges receivable is dependent on each donor’s financial condition. The Foundation monitors the exposure for credit losses including each donor’s compliance with terms of the pledge and determines allowances, if any, for anticipated losses.

Market Risk – Marketable Securities

The financial statements include investments in debt and equity securities. The underlying investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the inherent level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the financial statements.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 14 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

3. RISKS AND UNCERTAINTIES (continued)

Global Pandemic

On March 10, 2020, the World Health Organization recognized the outbreak of COVID-19 disease as a pandemic. Governments worldwide continue to take actions to prevent the spread of the outbreak, including event cancellations and quarantines that have created widespread adverse impacts to the global economy as well as business interruptions. The College transitioned its instructional and administrative operations to a primarily virtual setting, which also impacted the operations of the Foundation. This transition continued through the end of the fiscal year of the Foundation. Given the dynamic nature of these circumstances and the duration of the business disruption, the future financial impact on the Foundation cannot be reasonably estimated at this time.

4. INVESTMENTS

The following summarizes the fair value of investments held at June 30:

	<u>2020</u>	<u>2019</u>
Equity Mutual Fund	\$ 506,507	\$ 481,142
Fixed Income and Corporate Bonds	158,430	180,450
Real Estate Investment Trust	<u>23,462</u>	<u>37,008</u>
Total	<u>\$ 688,399</u>	<u>\$ 698,600</u>

As defined in FASB ASC 820, fair value is the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

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

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

The following is a summary of the inputs used as of June 30, 2020, in valuing the Foundation's investments carried at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Mutual Funds	\$ 506,507	\$ -	\$ -	\$ 506,507
Fixed Income	158,430	-	-	158,430
Real Estate Investment Trust	<u>23,462</u>	<u>-</u>	<u>-</u>	<u>23,462</u>
	<u>\$ 688,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 688,399</u>

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 14 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

4. INVESTMENTS (continued)

The following is a summary of the inputs used as of June 30, 2019, in valuing the Foundation's investments carried at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Mutual Funds	\$ 481,142	\$ -	\$ -	\$ 481,142
Fixed Income	180,450	-	-	180,450
Real Estate Investment Trust	37,008	-	-	37,008
	<u>\$ 698,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 698,600</u>

The Foundation's investments are valued using quoted prices in active markets for identical assets.

5. ENDOWMENT COMPOSITION

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

The Foundation's endowment activity was as follows for the years ended June 30, 2020 and 2019:

Endowment net position, end of 2018	\$312,815
Investment Return:	
Interest and Dividends	15,619
Net Realized and Unrealized Gain	<u>47,401</u>
Total Investment Returns	63,020

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 14 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

5. ENDOWMENT COMPOSITION (continued)

Endowment net position, end of 2019	\$375,835
Investment Return:	
Interest and Dividends	15,131
Net Realized and Unrealized Gain (loss)	<u>(13,747)</u>
Total Investment Returns	1,384
Reclassification and transfer out	(11,557)
Endowment net position, end of 2020	<u>\$365,662</u>

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 2020.

Return Objectives and Risk Parameters

The Foundation has adopted investment policies for the Endowment Fund with the understanding that those assets will be prudently invested to provide a continuing source of funding for the College and its programs. Assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the Investment Committee of the Board should direct the Fund's investment managers to achieve the maximum possible long-term total return on the Endowment Fund while maintaining prudent investment management principles and the basic tenants of preservation of capital. The Foundation conducts a quarterly monitoring of the portfolio. Investment performance is measured against a custom benchmark consisting of the current inflation rate plus 3%.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current interest earnings and dividends.

Spending Policy

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

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30 were designated for scholarships.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 14 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

7. LIQUIDITY AND FUNDS AVAILABLE

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of June 30, 2020 and 2019 because of contractual or donor-imposed restrictions or internal designations. The Foundation's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

Financial assets:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$256,650	\$187,738
Investments	688,399	698,000
Contributions Receivable	<u>2,188</u>	<u>0</u>
Financial assets, at year-end	947,237	886,338
Less those unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions:		
Donor-restricted contributions (excludes time restrictions)	<u>807,620</u>	<u>752,408</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$139,617</u>	<u>\$133,930</u>

Liquidity Policy

As part of the Foundation's liquidity management, it maintains a sufficient level of operating cash and short-term investments to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 15 – COVID-19

On March 10, 2020, the World Health Organization recognized the outbreak of COVID-19 disease as a pandemic. Governments worldwide continue to take actions to prevent the spread of the outbreak, including event cancellations and quarantines that have created widespread adverse impacts to the global economy as well as business interruptions. Given the dynamic nature of these circumstances and the duration of the business disruption, the future financial impact on the College cannot be reasonably estimated at this time.

EASTERN GATEWAY COMMUNITY COLLEGE
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
Last Seven Fiscal Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>School Employees Retirement System (SERS)</i>							
College's Proportion of the Net Pension Liability	0.15550970%	0.13863130%	0.11379980%	0.09685110%	0.08650800%	0.09305400%	0.09305400%
College's Proportionate Share of the Net Pension Liability	\$ 9,304,418	\$ 7,939,671	\$ 6,799,287	\$ 7,088,607	\$ 4,936,248	\$ 4,709,410	\$ 5,533,622
College's Covered Payroll	\$ 5,400,911	\$ 4,518,570	\$ 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	172.27%	175.71%	253.18%	233.17%	179.95%	161.96%	194.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%
<i>State Teachers Retirement System (STRS)</i>							
College's Proportion of the Net Pension Liability	0.09288574%	0.06177467%	0.05019882%	0.04687207%	0.05784400%	0.05759500%	0.05759500%
College's Proportionate Share of the Net Pension Liability	\$ 20,541,123	\$ 13,582,863	\$ 11,924,837	\$ 15,689,495	\$ 15,986,307	\$ 14,009,163	\$ 16,687,623
College's Covered Payroll	\$ 10,905,143	\$ 7,025,264	\$ 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	188.36%	193.34%	215.99%	318.13%	263.61%	242.31%	280.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.31%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

EASTERN GATEWAY COMMUNITY COLLEGE
Required Supplementary Information
Schedule of the College's Contributions - Pension
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>School Employees Retirement System (SERS)</i>					
Contractually Required Contribution	\$ 834,561	\$ 729,123	\$ 610,007	\$ 375,984	\$ 425,619
Contributions in Relation to the Contractually Required Contribution	<u>(834,561)</u>	<u>(729,123)</u>	<u>(610,007)</u>	<u>(375,984)</u>	<u>(425,619)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
College's Covered Payroll	\$ 5,961,150	\$ 5,400,911	\$ 4,518,570	\$ 2,685,600	\$ 3,040,136
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.50%	13.50%	14.00%	14.00%
<i>State Teachers Retirement System (STRS)</i>					
Contractually Required Contribution	\$ 2,077,191	\$ 1,526,720	\$ 983,537	\$ 772,938	\$ 690,458
Contributions in Relation to the Contractually Required Contribution	<u>(2,077,191)</u>	<u>(1,526,720)</u>	<u>(983,537)</u>	<u>(772,938)</u>	<u>(690,458)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
College's Covered Payroll	\$ 14,837,079	\$ 10,905,143	\$ 7,025,264	\$ 5,520,986	\$ 4,931,843
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 361,540	\$ 403,005	\$ 394,523	\$ 398,133	\$ 393,269
<u>(361,540)</u>	<u>(403,005)</u>	<u>(394,523)</u>	<u>(398,133)</u>	<u>(393,269)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,743,096	\$ 2,907,684	\$ 2,850,600	\$ 2,960,097	\$ 3,128,632
13.18%	13.86%	13.84%	13.45%	12.57%
\$ 849,014	\$ 751,602	\$ 774,086	\$ 705,411	\$ 614,470
<u>(849,014)</u>	<u>(751,602)</u>	<u>(774,086)</u>	<u>(705,411)</u>	<u>(614,470)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 6,064,386	\$ 5,781,554	\$ 5,954,508	\$ 5,426,238	\$ 4,726,692
14.00%	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/(Asset)
Last Four Fiscal Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>School Employees Retirement System (SERS)</i>				
College's Proportion of the Net OPEB Liability	0.14282000%	0.13142310%	0.10850390%	0.09608201%
College's Proportionate Share of the Net OPEB Liability	\$ 3,628,384	\$ 3,646,032	\$ 2,911,960	\$ 2,738,693
College's Covered Payroll	\$ 5,400,911	\$ 4,518,570	\$ 2,685,600	\$ 3,040,136
College's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	67.18%	80.69%	108.43%	90.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%
<i>State Teachers Retirement System (STRS)</i>				
College's Proportion of the Net OPEB Liability/(Asset)	0.09288600%	0.06177467%	0.05019882%	0.04687207%
College's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (1,538,415)	\$ (992,656)	\$ 1,958,573	\$ 2,506,730
College's Covered Payroll	\$ 10,905,143	\$ 7,025,264	\$ 5,520,986	\$ 4,931,843
College's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-14.11%	-14.13%	35.48%	50.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

EASTERN GATEWAY COMMUNITY COLLEGE
Required Supplementary Information
Schedule of the College's Contributions - OPEB
Last Nine Fiscal Years (2)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution (1)	\$ 19,528	\$ 44,373	\$ 52,653	\$ 26,867
Contributions in Relation to the Contractually Required Contribution	<u>(19,528)</u>	<u>(44,373)</u>	<u>(52,653)</u>	<u>(26,867)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
College's Covered Payroll	\$ 5,961,150	\$ 5,400,911	\$ 4,518,570	\$ 2,685,600
OPEB Contributions as a Percentage of Covered Payroll (1)	0.33%	0.82%	1.17%	1.00%
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
College's Covered Payroll	\$ 14,837,079	\$ 10,905,143	\$ 7,025,264	\$ 5,520,986
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	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.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 39,754	\$ 16,847	\$ 36,571	\$ 46,348	\$ 41,740
<u>(39,754)</u>	<u>(16,847)</u>	<u>(36,571)</u>	<u>(46,348)</u>	<u>(41,740)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 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
<u>0</u>	<u>0</u>	<u>(57,816)</u>	<u>(59,545)</u>	<u>(54,262)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 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%

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

NOTE 1 - NET PENSION LIABILITY

Changes in Assumptions - SERS

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

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

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

Changes in Assumptions – STRS

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

Changes in Benefit Terms - SERS

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

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

Changes in Benefit Terms - STRS

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

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

NOTE 2 - NET OPEB LIABILITY (ASSET)

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

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

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

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

Pre-Medicare

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

Medicare

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

Changes in Assumptions – STRS

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

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

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

EASTERN GATEWAY COMMUNITY COLLEGE

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

Changes in Benefit Terms – STRS

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

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

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

March 11, 2021

Board of Trustees
Eastern Gateway Community College
Jefferson County, Ohio
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, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 11, 2021, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the College.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Hea & Associates, Inc.

New Philadelphia, Ohio

March 11, 2021

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, 2020. The College's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Hea & Associates, Inc.

New Philadelphia, Ohio

EASTERN GATEWAY COMMUNITY COLLEGE
JEFFERSON COUNTY, OHIO

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

	Federal CFDA Number	Pass-Through/ Entity Identifying Number	Federal Disbursements	Passed Through to Subrecipients
<u>U.S. Department of Education</u>				
<i>Direct Awards</i>				
Student Financial Assistance Cluster				
Federal Pell Grant	84.063		\$ 38,875,165	\$ 0
Federal Work Study	84.033		322,168	0
Federal Direct Student Loans	84.268		2,810,238	0
Supplemental Educational Opportunity Grant	84.007		387,051	0
Total Student Financial Assistance Cluster			42,394,622	0
TRIO Cluster				
TRIO Student Support Services	84.042		239,081	0
TRIO Upward Bound	84.047		292,727	0
TRIO Educational Opportunity Centers	84.066		210,526	0
Total TRIO Cluster			742,334	0
Education Stabilization Fund - Higher Education Emergency Relief Funds	84.425E		436,500	0
Education Stabilization Fund - Higher Education Emergency Relief Funds	84.425F		104,280	0
Total Education Stabilization Fund - Higher Education Emergency Relief Funds			540,780	0
<i>Passed Through Ohio Department of Education</i>				
Adult Education - Basic Grants to States	84.002	2020	880,899	0
Career and Technical Education - Basic Grants to States	84.048	2020	109,729	0
Total U.S. Department of Education			44,668,364	0
<u>Appalachian Regional Commission</u>				
<i>Direct Awards</i>				
Appalachian Regional Commission	23.001		90,000	0
Total Appalachian Regional Commission			90,000	0
Total Federal Awards			\$ 44,758,364	\$ 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, 2020

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, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. 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	\$1,692,104
Federal Unsubsidized Loans	1,102,622
Federal Plus Loans	<u>15,512</u>
Total Federal Direct Student Loans	<u>\$2,810,238</u>

Eastern Gateway Community College
Jefferson County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2020

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	None Reported
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	None Reported
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): Student Financial Assistance Cluster: Federal Pell Grant Federal Work Study Federal Direct Student Loans Supplemental Educational Opportunity Grant Education Stabilization Fund - Higher Education Emergency Relief Fund: Student Aid Portion Institutional Portion	CFDA #'s: 84.063 84.033 84.268 84.007 84.425E 84.425F
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$1,342,751 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

None

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 110 John Scott Highway
 Steubenville, Ohio 43952

 Youngstown
 101 East Federal Street
 Youngstown, OH 44503

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Eastern Gateway Community College
Jefferson County, Ohio
Schedule of Prior Audit Findings
2 CFR Section 200.511(b)
June 30, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Significant Deficiency – Internal Controls over Financial Reporting (initially reported in 2019)	Partially Corrected	The College implemented additional procedures to review financial statement classifications however there were still proposed reclassifications identified in audit procedures. Downgraded to management letter.
2019-002	Significant Deficiency/Noncompliance – Return of Title IV Aid (initially reported in 2018)	Fully Corrected	Procedures were implemented to correct the issues identified in the prior year.