

WASHINGTON STATE COMMUNITY COLLEGE
(A COMPONENT UNIT OF THE STATE OF OHIO)
WASHINGTON COUNTY, OHIO

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022



www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Washington State Community College
710 Colegate Drive
Marietta, Ohio 45750

We have reviewed the *Independent Auditor's Report* of the Washington State Community College, Washington County, prepared by Rea & Associates, Inc., for the audit period July 1, 2021 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 18, 2022

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WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
JUNE 30, 2022

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Independent Auditor's Report

Board of Trustees
Washington State Community College
Washington County, Ohio
710 Colegate Drive
Marietta, OH 45750

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of Washington State Community College, Washington County, Ohio (the College), a component unit of the State of Ohio, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and pension and other post-employment benefit schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 GAAS. 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 November 10, 2022 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 solely 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 the College's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Marietta, Ohio
November 10, 2022

Washington State Community College
Washington County, Ohio
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2022 and 2021
(Unaudited)

Management's Discussion and Analysis

Washington State Community College (the College) Management's Discussion and Analysis (MD&A) of its financial condition provides an overview of the financial performance of the College for the year ended June 30, 2022 and June 30, 2021. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

Financial Highlights

The College's financial statements for fiscal year 2022 reported net position of \$18,709,092. The College's financial statements for fiscal year 2021 reported net position of \$15,430,955.

The College's enrollment in fiscal year 2022 increased in Full-time Equivalent (FTE) from the previous year. The total FTE for fiscal year 2022, as reported to the Ohio Department of Higher Education, was 2,394.13, up from 2,322.43 reported for fiscal year 2021. The College's enrollment in fiscal year 2021 decreased in Full-time Equivalent (FTE) from the previous year.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB 35).

One of the most important questions asked about College finances is whether the College is better off as a result of the year's activities. One key to answering this question is the financial statements of the College. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows present financial information on the College, in a format similar to that used by corporations, and present a long-term view of the College's finances. The College's net position (the difference between assets and deferred outflows, and liabilities and deferred inflows) are one indicator of the College's financial health. Over time, increases or decreases in net position are an indicator of the improvement or erosion of the College's financial health, when considered in conjunction with non-financial facts such as enrollment levels and conditions of facilities.

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

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

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

Washington State Community College
Washington County, Ohio
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2022 and 2021
(Unaudited)

Condensed Financial Information

Statements of Net Position (in thousands)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---|------------------|------------------|------------------|
| Assets | | | |
| Current assets | \$ 16,494 | \$ 14,801 | \$ 12,773 |
| Non-Current Assets | | | |
| Net OPEB Asset | 650 | 560 | 518 |
| Capital Assets, Net | 16,711 | 15,502 | 15,209 |
| <i>Total Assets</i> | <u>33,855</u> | <u>30,863</u> | <u>28,500</u> |
| Deferred Outflows of Resources | | | |
| Pension | 2,186 | 2,001 | 1,926 |
| OPEB | 261 | 334 | 227 |
| <i>Total Deferred Outflows of Resources</i> | <u>2,447</u> | <u>2,335</u> | <u>2,153</u> |
| Liabilities | | | |
| Current Liabilities | 4,110 | 3,332 | 3,224 |
| Non-Current Liabilities | 7,052 | 12,745 | 11,863 |
| <i>Total Liabilities</i> | <u>11,162</u> | <u>16,077</u> | <u>15,087</u> |
| Deferred Inflow of Resources | | | |
| Pension | 4,925 | 266 | 1,049 |
| OPEB | 1,506 | 1,423 | 1,202 |
| <i>Total Deferred Inflows of Resources</i> | <u>6,431</u> | <u>1,689</u> | <u>2,251</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 16,375 | 15,501 | 15,209 |
| Restricted | | | |
| Expendable | 303 | 280 | 325 |
| Unrestricted | 2,031 | (350) | (2,219) |
| <i>Total Net Position</i> | <u>\$ 18,709</u> | <u>\$ 15,431</u> | <u>\$ 13,315</u> |

A review of the College's Statement of Net Position at June 30, 2022 shows that the College continues to maintain a strong financial position.

Assets and Deferred Outflows

As of June 30, 2022, the College's total assets and deferred outflows amount to \$36,302,675. Capital assets represented the College's largest asset. Cash and cash equivalents represented the next largest asset followed by accounts receivable, net of allowance for doubtful accounts. As of June 30, 2021, the College's total assets and deferred outflows amount to \$33,197,428. Capital assets represented the College's largest asset. Cash and cash equivalents represented the next largest asset, followed by accounts receivable, net of allowance for doubtful accounts.

Washington State Community College
Washington County, Ohio
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2022 and 2021
(Unaudited)

Total assets increased in fiscal year 2022 primarily due to an increase in cash and cash equivalents and non-depreciable capital assets. Cash and cash equivalents increased as result of conservative budgeting and an increase in non-operating revenues. Non-depreciable capital asset increased as a result of an ongoing health sciences building renovation project.

Liabilities and Deferred Inflows of Resources

At June 30, 2022, the College's liabilities and deferred inflows totaled \$17,593,583. The College's net pension liability and net OPEB liability represent \$6,832,385. Accounts payable, accrued liabilities, deposits and deferred student tuition and fees represented \$3,891,194. At June 30, 2021, the College's liabilities and deferred inflows totaled \$17,766,473. The College's net pension liability and net OPEB liability represent \$12,540,610. Accounts payable, accrued liabilities, deposits and deferred student tuition and fees represented \$3,158,787.

There were significant changes in Net Pension Liabilities and Net OPEB Liabilities and Assets in both fiscal year 2022 and 2021. These fluctuations are due to changes in the retirement systems unfunded liabilities that are passed through to the College's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred inflows/outflows and Net Pension Liabilities and Net OPEB Liabilities and Assets and are described in more detail in the accompanying notes.

Net Position

Net position at June 30, 2022 totaled \$18,709,092. Net investment in capital assets totaled \$16,374,542 of total net position. Net position at June 30, 2021 totaled \$15,430,955. Net investment in capital assets totaled \$15,501,524 of total net position.

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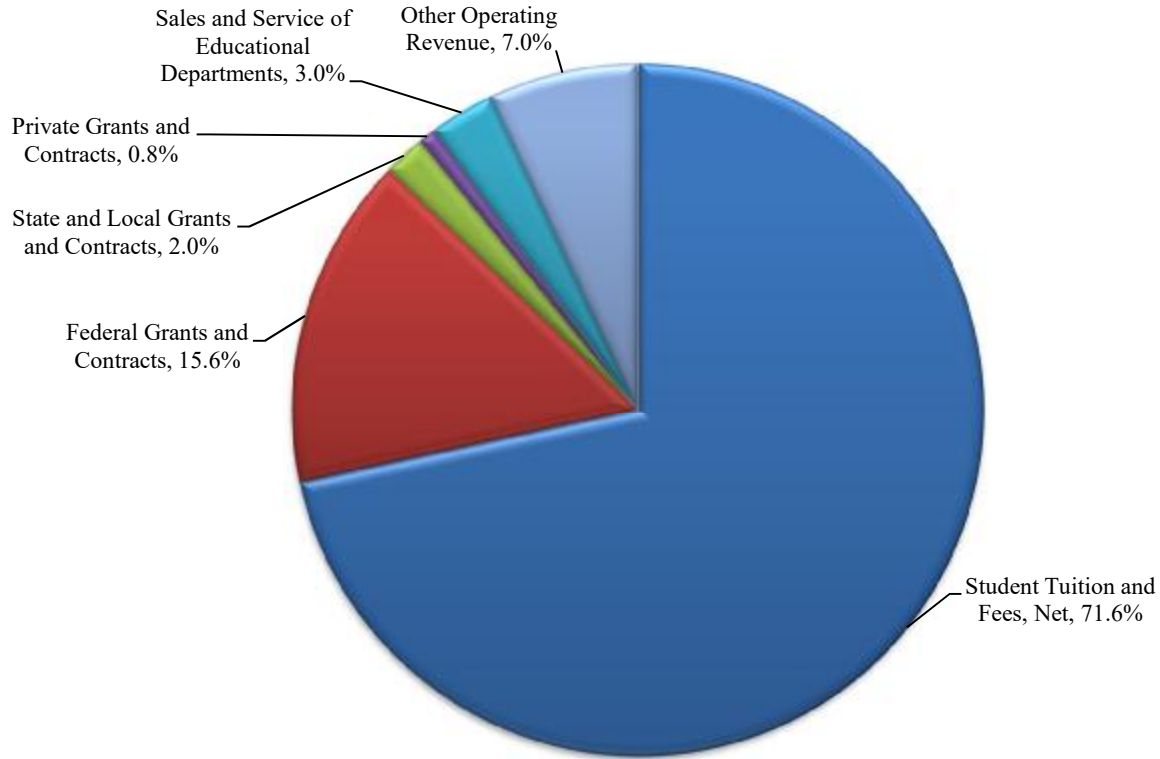
Washington State Community College
Washington County, Ohio
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2022 and 2021
(Unaudited)

Statements of Revenues, Expenses, and Changes in Net Position (in thousands)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|------------------|
| Operating Revenues | | | |
| Student Tuition and Fees, Net | \$ 4,320 | \$ 3,573 | \$ 3,258 |
| Grants and Contracts | 1,108 | 1,625 | 1,724 |
| Sales and Service | 183 | 166 | 198 |
| Other Operating Revenue | 422 | 298 | 266 |
| <i>Total Operating Revenues</i> | <u>6,033</u> | <u>5,662</u> | <u>5,446</u> |
| Operating Expenses | | | |
| Educational and General | 12,190 | 12,575 | 12,059 |
| Depreciation | 977 | 928 | 874 |
| Scholarships and Fellowships | 3,838 | 1,150 | 1,525 |
| <i>Total Operating Expenses</i> | <u>17,005</u> | <u>14,653</u> | <u>14,458</u> |
| Operating Loss | (10,972) | (8,991) | (9,012) |
| NONOPERATING REVENUES | | | |
| State Appropriations | 6,442 | 5,991 | 5,519 |
| Federal Grants | 3,181 | 1,971 | - |
| Pell Grant Awards | 2,503 | 2,385 | 2,712 |
| Investment Income | 14 | 134 | 163 |
| <i>Total Non-Operating Revenues</i> | <u>12,140</u> | <u>10,481</u> | <u>8,394</u> |
| Income (Loss) Before Other Revenues Expenses, Gains, and Losses | 1,168 | 1,490 | (618) |
| Capital Appropriations | 2,110 | 626 | 664 |
| Increase (Decrease) in Net Position | 3,278 | 2,116 | 46 |
| Beginning Net Position | <u>15,431</u> | <u>13,315</u> | <u>13,269</u> |
| Ending Net Position | <u>\$ 18,709</u> | <u>\$ 15,431</u> | <u>\$ 13,315</u> |

Washington State Community College
Washington County, Ohio
 Management's Discussion and Analysis
 For the Fiscal Years Ended June 30, 2022 and 2021
 (Unaudited)

Operating Revenues



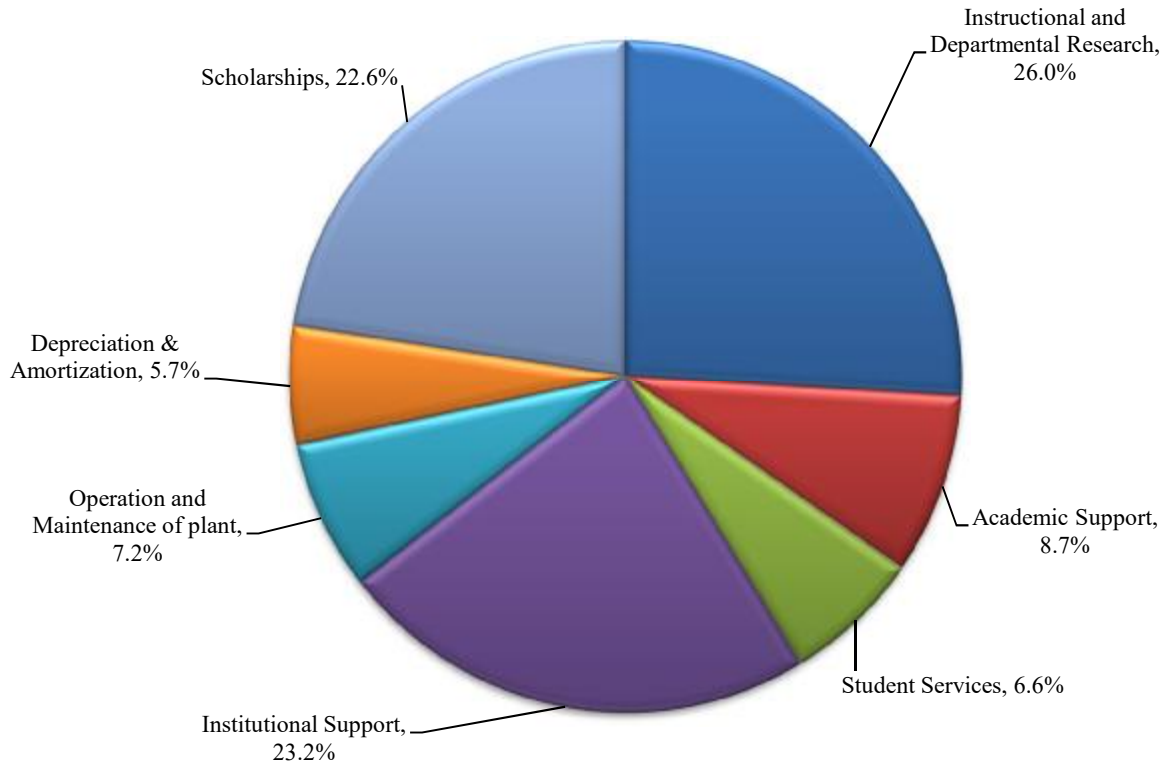
Total operating revenues were \$6,033,149 for the year ended June 30, 2022. The most significant sources of operating revenue for the College are student tuition and fees, net of scholarship and allowance and federal grants and contracts. Total operating revenues were \$5,662,400 for the year ended June 30, 2021. The most significant sources of operating revenue for the College are student tuition and fees, net of scholarship and allowance and federal grants and contracts.

In 2022, there was an increase in student tuition and fees. This increase was primarily caused by an increase in enrollment. There was a decrease in operating federal grant revenue in 2022 primarily due to a significant one time grant the college received in 2021.

There are other significant recurring sources of revenues essential to the operation of the College, including state appropriations and Pell grant awards which are considered non-operating revenues as defined by GASB 35. The College also received Higher Education Emergency Relief funds to assist with COVID response that are considered non-operating revenues. The College's state appropriations for the year ended June 30, 2022, amounted to \$6,442,081. This represents an increase of \$451,488 from the College's appropriations for the prior fiscal year. The College's state appropriations for the year ended June 30, 2021, amounted to \$5,990,593. This represents an increase of \$471,601 from the College's appropriations for the prior fiscal year. During fiscal year 2022 Pell grant awards increased \$117,964 and Federal grants increased \$1,210,633.

Washington State Community College
Washington County, Ohio
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2022 and 2021
(Unaudited)

Operating Expenses



Operating expenses for 2022, including \$977,308 of depreciation, totaled \$17,005,647. As depicted in the chart above, the majority of the College's operating funds are expended directly for the primary mission of the College, instruction, scholarships, and institutional support. One of the College's core values is to provide student's access to the College with the opportunity to succeed. The College's continued investment in student financial aid programs and student support services reflects this commitment. For the year ended June 30, 2022, student financial aid related to tuition and fees totaled \$6,341,582 which included scholarships and fellowships, and scholarship allowances.

In 2021, operating expenses, including \$928,137 of depreciation, totaled \$14,653,673. For the year ended June 30, 2021 student financial aid related to tuition and fees totaled \$3,535,750 which included scholarships and fellowships, and scholarship allowances.

Overall operating expenses increased in 2022. Scholarship expenses increased as a result of more emergency aid awarded directly to students as part of the Higher Education Emergency Relief funds provided by the department of education. The changes in operating expenses are primarily associated with changes in the College's proportionate share of the net pension liability, net OPEB liability/asset and related accruals. As previously indicated, these items are explained in detail within their respective notes.

Washington State Community College
Washington County, Ohio
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2022 and 2021
(Unaudited)

Statements of Cash Flows (in thousands)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---------------------------------|------------------|-----------------|-----------------|
| Net Cash Provided (Used) By: | | | |
| Operating Activities | \$ (10,742) | \$ (8,082) | \$ (8,182) |
| Noncapital Financing Activities | 12,875 | 9,297 | 8,231 |
| Capital Financing Activities | (77) | (594) | (33) |
| Investing Activities | <u>14</u> | <u>137</u> | <u>162</u> |
| Net Increase (Decrease) in Cash | 2,070 | 758 | 178 |
| Cash, Beginning of Year | <u>9,618</u> | <u>8,860</u> | <u>8,682</u> |
| Cash, End of Year | <u>\$ 11,688</u> | <u>\$ 9,618</u> | <u>\$ 8,860</u> |

Another way to assess the financial health of an institution is to look at the statement of cash flows. The primary purpose of the statement of cash flows is to provide information about the cash receipts and cash payments made by the College during the period. The statement of cash flows also helps financial statement readers assess:

1. the College's ability to generate future net cash flows
2. the College's ability to meet obligations as they become due and
3. the College's need for external financing

Major sources of funds included in operating activities are student tuition and fees, and grants and contracts. The largest cash payments for operating activities were to employees, for wages and benefits, and payments to suppliers and utilities.

The largest cash receipt in the noncapital financing activities group is the subsidy received from the State of Ohio. Cash used by capital and related financing activities is primarily expended on the construction and acquisition of capital assets. Cash provided by investing activities reflects the investment return on investments.

Capital Assets

Capital assets, net of accumulated depreciation, totaled \$16,710,595 at June 30, 2022, a net increase of \$1,209,071 from the prior year-end due to additions exceeding depreciation expense. The College had significant construction in progress additions for a health sciences building renovation. Capital assets, net of accumulated depreciation, totaled \$15,501,524 at June 30, 2021, a net increase of \$292,362 from the prior year-end due to additions exceeding depreciation expense and disposals.

Looking Ahead

Washington State Community College remains committed to providing access to high quality, affordable education to all residents of the Mid-Ohio Valley. The College's current annual tuition and fees of \$4,950 (for 30 credit hours) remains competitive among Ohio two-year colleges. There is a direct relationship between the level of State support and the College's ability to control tuition growth, as declines in State appropriations generally result in increased tuition levels. The State's budget bill allowed the College to increase tuition during fiscal year 2019 no more than \$10 per credit hour. The College increased tuition by \$10 per credit hour effective summer term 2018. The State's budget bill for fiscal year 2020 and 2021 allows the College to increase instructional and general fees up to \$5 per credit hour each academic year for the biennium. The College increased tuition by \$5 per credit hour effective fall 2020.

Washington State Community College
Washington County, Ohio
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2022 and 2021
(Unaudited)

People and organizations around the world are navigating the impact of the coronavirus pandemic, with millions of cases of COVID-19 currently reported worldwide. As a result, the College anticipates some enrollment decline in the near term. Typically following a downturn in the economy the College experiences increased enrollment due to financial incentives for job training. The College remains mindful of the need for cost containment and efficiencies.

The College proactively manages its financial position and adopts budgetary guidelines and principles that address cost reductions and revenue enhancement. However, the College faces significant cost pressures in the future. These relate to attracting and retaining high quality faculty and staff, increasing costs of health insurance, volatile energy prices and others.

Paramount to the continuing success of the College is its accreditation by the Higher Learning Commission, which was successfully reaffirmed during fiscal year 2018 and is due for renewal in fiscal year 2028.

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Washington State Community College
Washington County, Ohio
Statement of Net Position
June 30, 2022 and 2021

| | 2022 | | 2021 | |
|---|--|--|--|--|
| | Washington State Community College | Component Unit Washington State Foundation | Washington State Community College | Component Unit Washington State Foundation |
| Assets | | | | |
| <i>Current Assets:</i> | | | | |
| Cash and Cash Equivalents | \$ 11,688,413 | \$ 181,932 | \$ 9,618,441 | \$ 500,361 |
| Accounts Receivable (Net of Allowance for Doubtful Accounts of \$236,708 in 2022 and 2021) | 4,685,735 | - | 4,958,139 | - |
| Prepaid Items | 121,216 | - | 224,611 | - |
| <i>Total Current Assets</i> | <u>16,495,364</u> | <u>181,932</u> | <u>14,801,191</u> | <u>500,361</u> |
| <i>Non-Current Assets:</i> | | | | |
| Investments | - | 1,643,902 | - | 1,671,380 |
| Net OPEB Asset | 649,836 | - | 559,798 | - |
| Non-Depreciable Capital Assets | 2,864,622 | - | 980,000 | - |
| Depreciable Capital Assets, Net | 13,845,973 | - | 14,521,524 | - |
| <i>Total Non-Current Assets</i> | <u>17,360,431</u> | <u>1,643,902</u> | <u>16,061,322</u> | <u>1,671,380</u> |
| <i>Total Assets</i> | <u>33,855,795</u> | <u>1,825,834</u> | <u>30,862,513</u> | <u>2,171,741</u> |
| Deferred Outflows of Resources | | | | |
| Pension | 2,186,297 | - | 2,001,254 | - |
| OPEB | 260,583 | - | 333,661 | - |
| <i>Total Deferred Outflows of Resources</i> | <u>2,446,880</u> | <u>-</u> | <u>2,334,915</u> | <u>-</u> |
| Liabilities | | | | |
| <i>Current Liabilities:</i> | | | | |
| Accounts Payable and Accrued Liabilities | 1,677,149 | 299 | 1,251,154 | 83,632 |
| Unearned Revenue | 2,174,407 | - | 1,869,945 | - |
| Deposits | 39,638 | - | 37,688 | - |
| Claims Payable | 180,291 | - | 137,399 | - |
| Compensated Absences - Current Portion | 38,800 | - | 36,104 | - |
| <i>Total Current Liabilities</i> | <u>4,110,285</u> | <u>299</u> | <u>3,332,290</u> | <u>83,632</u> |
| <i>Non-Current Liabilities</i> | | | | |
| Net Pension Liability | 5,888,342 | - | 11,409,124 | - |
| Net OPEB Liability | 944,043 | - | 1,131,486 | - |
| Compensated Absences | 219,869 | - | 204,586 | - |
| <i>Total Non-Current Liabilities</i> | <u>7,052,254</u> | <u>-</u> | <u>12,745,196</u> | <u>-</u> |
| <i>Total Liabilities</i> | <u>11,162,539</u> | <u>299</u> | <u>16,077,486</u> | <u>83,632</u> |
| Deferred Inflows of Resources | | | | |
| Pension | 4,924,747 | - | 265,877 | - |
| OPEB | 1,506,297 | - | 1,423,110 | - |
| <i>Total Deferred Inflows of Resources</i> | <u>6,431,044</u> | <u>-</u> | <u>1,688,987</u> | <u>-</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 16,374,542 | - | 15,501,524 | - |
| Restricted for: | | | | |
| Nonexpendable | | | | |
| Scholarship and Fellowships | - | 560,004 | - | 724,050 |
| Expendable | | | | |
| Scholarship and Fellowships | - | 1,002,535 | - | 914,204 |
| Capital Projects | 302,779 | 83,944 | 279,849 | 93,409 |
| Unrestricted | 2,031,771 | 179,052 | (350,418) | 356,446 |
| <i>Total Net Position</i> | <u>\$ 18,709,092</u> | <u>\$ 1,825,535</u> | <u>\$ 15,430,955</u> | <u>\$ 2,088,109</u> |

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

Washington State Community College
Washington County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2022 and 2021

| | 2022 | | 2021 | |
|---|--|--|--|--|
| | Washington State Community College | Component Unit Washington State Foundation | Washington State Community College | Component Unit Washington State Foundation |
| Operating Revenues | | | | |
| Student Tuition and Fees (Net of Scholarship Allowances of \$1,032,657 in 2022 and \$1,627,124 in 2021) | \$ 4,320,149 | \$ - | \$ 3,572,995 | \$ - |
| Federal Grants and Contracts | 940,170 | - | 1,519,874 | - |
| State and Local Grants and Contracts | 117,815 | - | 60,529 | - |
| Private Grants and Contracts | 50,000 | 293,725 | 45,000 | 529,916 |
| Sales and Service of Educational Departments | 183,105 | - | 166,253 | - |
| Other Operating Revenues | 421,910 | - | 297,749 | - |
| <i>Total Operating Revenues</i> | <u>6,033,149</u> | <u>293,725</u> | <u>5,662,400</u> | <u>529,916</u> |
| Operating Expenses | | | | |
| Educational and General | | | | |
| Instructional and Departmental Research | 4,413,942 | - | 4,205,820 | - |
| Academic Support | 1,479,501 | - | 2,046,997 | - |
| Student Services | 1,127,794 | - | 1,322,382 | - |
| Institutional Support | 3,943,404 | 144,359 | 3,237,988 | 116,514 |
| Operation and Maintenance of Plant | 1,225,378 | - | 1,761,897 | - |
| Depreciation | 977,308 | - | 928,137 | - |
| Scholarships and Fellowships | 3,838,320 | 189,600 | 1,150,452 | 123,008 |
| <i>Total Operating Expenses</i> | <u>17,005,647</u> | <u>333,959</u> | <u>14,653,673</u> | <u>239,522</u> |
| <i>Operating Income (Loss)</i> | <u>(10,972,498)</u> | <u>(40,234)</u> | <u>(8,991,273)</u> | <u>290,394</u> |
| Non-Operating Revenues (Expense) | | | | |
| State Appropriations (Subsidy) | 6,442,081 | - | 5,990,593 | - |
| Investment Income | 14,241 | (222,340) | 133,889 | 360,238 |
| Federal Grants | 3,181,351 | - | 1,970,718 | - |
| Pell Grant Awards | 2,503,262 | - | 2,385,298 | - |
| <i>Total Non-Operating Revenues (Expense)</i> | <u>12,140,935</u> | <u>(222,340)</u> | <u>10,480,498</u> | <u>360,238</u> |
| <i>Income (Loss) Before Other Revenues, Expenses, Gains and Losses</i> | 1,168,437 | (262,574) | 1,489,225 | 650,632 |
| Capital Appropriations | 2,109,700 | - | 626,500 | - |
| <i>Change in Net Position</i> | 3,278,137 | (262,574) | 2,115,725 | 650,632 |
| <i>Net Position Beginning of Year</i> | <u>15,430,955</u> | <u>2,088,109</u> | <u>13,315,230</u> | <u>1,437,477</u> |
| <i>Net Position End of Year</i> | <u>\$ 18,709,092</u> | <u>\$ 1,825,535</u> | <u>\$ 15,430,955</u> | <u>\$ 2,088,109</u> |

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

Washington State Community College
Washington County, Ohio
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2022 and 2021

| | 2022 | | 2021 | |
|--|--|--|--|--|
| | Washington State Community College | Component Unit Washington State Foundation | Washington State Community College | Component Unit Washington State Foundation |
| Cash Flows from Operating Activities | | | | |
| Tuition and Fees | \$ 4,166,942 | \$ - | \$ 3,634,232 | \$ - |
| Grants and Contracts | 993,519 | 293,725 | 1,407,801 | 529,916 |
| Payments to Suppliers and Utilities | (2,279,860) | (227,692) | (2,772,713) | (50,776) |
| Payments to Employees and Benefits | (10,200,093) | - | (9,516,954) | - |
| Payments for Scholarships and Fellowships | (3,844,566) | (189,600) | (1,132,561) | (123,008) |
| Other Receipts | 421,910 | - | 297,749 | - |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | <u>(10,742,148)</u> | <u>(123,567)</u> | <u>(8,082,446)</u> | <u>356,132</u> |
| Cash Flows from Noncapital Financing Activities | | | | |
| State Appropriations | 6,442,081 | - | 5,990,593 | - |
| Federal Grants | 4,226,824 | - | 921,238 | - |
| Pell Grant Awards | 2,205,653 | - | 2,385,298 | - |
| <i>Net Cash Provided by (Used for) Noncapital Financing Activities</i> | <u>12,874,558</u> | <u>-</u> | <u>9,297,129</u> | <u>-</u> |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Capital Appropriations | 1,773,647 | - | 626,500 | - |
| Purchases of Capital Assets | (1,850,326) | - | (1,220,499) | - |
| <i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i> | <u>(76,679)</u> | <u>-</u> | <u>(593,999)</u> | <u>-</u> |
| Cash Flows from Investing Activities | | | | |
| Sales (Purchases) of Investments | - | 27,478 | - | (323,998) |
| Interest on Investments | 14,241 | (222,340) | 137,896 | 360,238 |
| <i>Net Cash Provided by (Used for) Investing Activities</i> | <u>14,241</u> | <u>(194,862)</u> | <u>137,896</u> | <u>36,240</u> |
| <i>Net Increase (Decrease) in Cash and Investments</i> | 2,069,972 | (318,429) | 758,580 | 392,372 |
| <i>Cash and Cash Equivalents Beginning of Year</i> | 9,618,441 | 500,361 | 8,859,861 | 107,989 |
| <i>Cash and Cash Equivalents End of Year</i> | <u>\$ 11,688,413</u> | <u>\$ 181,932</u> | <u>\$ 9,618,441</u> | <u>\$ 500,361</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities | | | | |
| Operating Income (Loss) | \$ (10,972,498) | \$ (40,234) | \$ (8,991,273) | \$ 290,394 |
| Adjustments: | | | | |
| Depreciation | 977,308 | - | 928,137 | - |
| (Increase) Decrease in Assets and Deferred Outflows: | | | | |
| Accounts Receivable, Net | (96,401) | - | (191,084) | - |
| Other Assets | 118,678 | - | (33,325) | - |
| Net OPEB Asset | (90,038) | - | (41,527) | - |
| Deferred Outflows - Pension/OPEB | (111,965) | - | (181,904) | - |
| Increase (Decrease) in Liabilities and Deferred Inflows: | | | | |
| Accounts Payable | 46,936 | (83,333) | 15,303 | 65,738 |
| Deposits Held for Others | 1,950 | - | (737) | - |
| Unearned Revenue | 304,462 | - | 60,153 | - |
| Claims Payable | 42,892 | - | 61,827 | - |
| Compensated Absences Payable | 2,696 | - | (189,518) | - |
| Deferred Inflows - Pension/OPEB | 4,742,057 | - | (562,251) | - |
| Net Pension Liability | (5,520,782) | - | 1,224,784 | - |
| Net OPEB Liability | (187,443) | - | (181,031) | - |
| <i>Net Cash Provided by (Used For) Operating Activities</i> | <u>\$ (10,742,148)</u> | <u>\$ (123,567)</u> | <u>\$ (8,082,446)</u> | <u>\$ 356,132</u> |

Noncash Capital Financing Activities

The College purchased \$336,053 of capital assets on account in fiscal year 2022.
The College did not purchase any capital assets on account in fiscal year 2021.

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

Washington State Community College
Washington County, Ohio
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

Note 1 – Description of the Reporting Entity

Washington State Community College (the College) was originally chartered on September 17, 1971 as Washington Technical College by the Ohio Department of Higher Education, formerly known as the Ohio Board of Regents in accordance with Section 3357.02 of the Ohio Revised Code. In 1991, the College's charter was revised to conform to the provisions of Section 3358.02 of the Ohio Revised Code and began operating under its current name as a state community college. The College is a component unit of the State of Ohio, operates under an appointed Board of Trustees, and is fully accredited by the Higher Learning Commission (www.hlcommission.org).

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

GASB Statement No. 35: *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities*, as amended by subsequent GASB Statements establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

Net investment in capital assets

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted

Nonexpendable

Net position subject to externally imposed stipulations that they be maintained permanently by the College. These include the Foundation's permanent endowment funds.

Expendable

Net position of which use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

Unrestricted:

Net position of which use by the College is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

The financial statement presentation required by the appropriate GASB Statement is intended to provide a comprehensive, entity-wide perspective of the College's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

Washington State Community College
Washington County, Ohio
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

Accrual Basis

The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The College reports as a Business Type Activity (BTA) as defined by GASB 35. BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services.

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

Cash and Cash Equivalents

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

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

Capital Assets

Capital assets are stated at cost at date of acquisition or, in the case of gifts, at acquisition value at date of gift. Equipment with a unit cost of \$5,000 or more and having an estimated useful life of greater than one year is capitalized. 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 are charged to operating expense in the year in which the expense is incurred.

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, generally 20 years for land improvements, 10 to 40 years for buildings and fixed equipment, and 4 to 10 years for equipment.

Investments

Investments are stated at fair value.

Accounts Receivable

Accounts receivable represents the balance of unpaid student tuition charges, federal and state grants receivable, and miscellaneous receivables owed to the College.

Allowance for Doubtful Accounts

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

Restricted Asset Spending Policy

The College's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

Washington State Community College
Washington County, Ohio
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

Operating Activities

The College defines operating activities, as reported on the Statements of Revenues, Expenses, and Changes in Net Position, as those that generally result from exchange transactions such as payments received for providing goods and services and payments made for services and good received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenues relied upon for operations such as state appropriations, gifts, and investment income are recorded as non-operating revenues in accordance with GASB Statement No. 35. In addition, the GASB Implementation Guide has indicated Pell grants should be considered non-operating revenues beginning in fiscal year 2009.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond each year end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

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 reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Non-current Long-Term Liabilities

Non-current long-term liabilities include net pension liability, net other postemployment benefits liability, and compensated absences that will not be paid within the next fiscal year.

Claims Liability

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

Compensated Absences

The College has adopted GASB No. 16.

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

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

For vacation leave the College posts a liability for 100% of accumulated vacation time.

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

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

Washington State Community College
Washington County, Ohio
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

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

Scholarship Allowances

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

Budgetary Process

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

Income Taxes

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

Unearned Revenue

Unearned revenue is comprised primarily of receipts relating to tuition and student fees in advance of the services to be provided and grant funds not earned as of June 30, 2022 and 2021.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of assets by the College that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of assets by the College that is applicable to a future reporting period.

For the College, deferred outflows and inflows of resources for pensions and other postemployment benefits (OPEB) have been recorded on the statement of net position and are also explained further in Note 9 and Note 10.

Pensions/Other Postemployment Benefits (OPEB)

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

Reclassifications

Certain amounts previously reported in the June 30, 2021 financial statements have been reclassified to conform to the reporting presentation of the financial statements at June 30, 2022.

Washington State Community College
Washington County, Ohio
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

Note 3 – Implementation of New Accounting Principles

For the fiscal year ended June 30, 2022, the College has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 92, *Omnibus 2020* and certain provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*.

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. These changes were incorporated in the College's financial statements; however, there was no effect on beginning net position/fund balance.

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

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

GASB Statement No. 97 requirements that are related to a) the accounting and financial reporting for Section 457 plans and b) determining whether a primary government is financially accountable for a potential component unit were implemented for fiscal year 2022. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the College.

Note 4 - Cash, Cash Equivalents, and Investments

State statutes classify monies held by the College into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing no more than one year from the date of deposit or by savings accounts including passbook accounts.

Washington State Community College
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Notes to Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

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

Interim monies held by the College can be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio and STAR Plus); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

Fair Value Measurements

Statement No. 72 of the Government Accounting Standards Board ("GASB") *Fair Value Measurements and Application*, set forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Washington State Community College
Washington County, Ohio
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that the College has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the College's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the College's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the College's management. College management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment with the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to College management's perceived risk of that investment.

Cash on Hand

The College maintained cash on hand in the amount of \$750 at June 30, 2022 and 2021.

Investments

As of June 30, 2022 and 2021 the College had no investments.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the College will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2022, \$10,727,909 of the College's bank balance of \$11,227,909 was exposed to custodial credit risk because it was uninsured and collateralized. At June 30, 2021, \$8,523,177 of the College's bank balance of \$9,273,177 was exposed to custodial credit risk because it was uninsured and collateralized. The College's financial institution was approved for a reduced collateral rate through the Ohio Pooled Collateral System.

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Notes to Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

The College has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

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

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

Note 5 - Notes, Loans and Accounts Receivable

Notes, loans and accounts receivable as of June 30, 2022 and 2021 are as follows:

| | 2022 | | |
|--|--------------|------------|--------------|
| | Gross | | Net |
| | Receivable | Allowance | Receivable |
| Students | \$ 2,292,710 | \$ 236,708 | \$ 2,056,002 |
| Reimbursement receivable - grants and contracts | 2,071,306 | - | 2,071,306 |
| Other | 558,427 | - | 558,427 |
| Total | \$ 4,922,443 | \$ 236,708 | \$ 4,685,735 |
| | 2021 | | |
| | Gross | | Net |
| | Receivable | Allowance | Receivable |
| Students | \$ 2,359,531 | \$ 236,708 | \$ 2,122,823 |
| Reimbursement receivable - grants and contracts | 2,615,888 | - | 2,615,888 |
| Other | 219,428 | - | 219,428 |
| Total | \$ 5,194,847 | \$ 236,708 | \$ 4,958,139 |

Washington State Community College
Washington County, Ohio
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

Note 6 - Capital Assets

Capital assets as of June 30, 2022 and 2021 are summarized as follows:

| | 2022 | | | |
|--|----------------------|---------------------|------------------|----------------------|
| | 2021 | Additions | Reductions | |
| Non-Depreciable Capital Assets: | | | | |
| Land | \$ 980,000 | \$ - | \$ - | \$ 980,000 |
| Construction In Progress | - | 1,884,622 | - | 1,884,622 |
| Total Non-Depreciable Capital Assets | 980,000 | 1,884,622 | - | 2,864,622 |
| Depreciable Capital Assets: | | | | |
| Buildings | 26,179,850 | 116,252 | - | 26,296,102 |
| Land Improvements | 3,377,285 | 37,878 | - | 3,415,163 |
| Movable equipment | 5,000,724 | 147,627 | - | 5,148,351 |
| Total Depreciable Capital Assets | 34,557,859 | 301,757 | - | 34,859,616 |
| Accumulated Depreciation: | | | | |
| Buildings | 13,666,143 | 716,105 | - | 14,382,248 |
| Land Improvements | 3,074,562 | 26,524 | - | 3,101,086 |
| Movable Equipment | 3,295,630 | 234,679 | - | 3,530,309 |
| Total Accumulated Depreciation | 20,036,335 | 977,308 | - | 21,013,643 |
| Depreciable Capital Assets, Net of Accumulated Depreciation | 14,521,524 | (675,551) | - | 13,845,973 |
| Total Capital assets, net | \$ 15,501,524 | \$ 1,209,071 | \$ - | \$ 16,710,595 |
| 2021 | | | | |
| | 2020 | Additions | Reductions | 2021 |
| Non-Depreciable Capital Assets: | | | | |
| Land | \$ 980,000 | \$ - | \$ - | \$ 980,000 |
| Construction In Progress | 23,439 | - | 23,439 | - |
| Total Non-Depreciable Capital Assets | 1,003,439 | - | 23,439 | 980,000 |
| Depreciable Capital Assets: | | | | |
| Buildings | 25,949,387 | 230,463 | - | 26,179,850 |
| Land Improvements | 3,367,335 | 9,950 | - | 3,377,285 |
| Movable equipment | 3,997,199 | 1,003,525 | - | 5,000,724 |
| Total Depreciable Capital Assets | 33,313,921 | 1,243,938 | - | 34,557,859 |
| Accumulated Depreciation: | | | | |
| Buildings | 12,961,848 | 704,295 | - | 13,666,143 |
| Land Improvements | 3,049,450 | 25,112 | - | 3,074,562 |
| Movable Equipment | 3,096,900 | 198,730 | - | 3,295,630 |
| Total Accumulated Depreciation | 19,108,198 | 928,137 | - | 20,036,335 |
| Depreciable Capital Assets, Net of Accumulated Depreciation | 14,205,723 | 315,801 | - | 14,521,524 |
| Total Capital assets, net | \$ 15,209,162 | \$ 315,801 | \$ 23,439 | \$ 15,501,524 |

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Note 7 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|------------------------------------|--------------|--------------|
| Payable to vendors and contractors | \$ 832,762 | \$ 355,047 |
| Accrued Wages and Benefits | 767,970 | 815,237 |
| Other Accrued Liabilities | 76,417 | 80,870 |
| Total | \$ 1,677,149 | \$ 1,251,154 |

Note 8 - Long-Term Liabilities

The College's long-term liabilities during fiscal years 2022 and 2021 were as follows:

| | 2022 | | | | |
|-----------------------------|----------------------|--------------|----------------|-------------------|--------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| Compensated absences | \$ 240,690 | \$ 34,004 | \$ (16,025) | \$ 258,669 | \$ 38,800 |
| Net Pension Liability | | | | | |
| STRS | 7,706,932 | - | (3,766,185) | 3,940,747 | - |
| SERS | 3,702,192 | - | (1,754,597) | 1,947,595 | - |
| Net OPEB Liability | | | | | |
| SERS | 1,131,486 | - | (187,443) | 944,043 | - |
| Total long-term liabilities | \$ 12,781,300 | \$ 34,004 | \$ (5,724,250) | \$ 7,091,054 | \$ 38,800 |
| | | | | | |
| | 2021 | | | | |
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| Compensated absences | \$ 430,208 | \$ 250 | \$ (189,768) | \$ 240,690 | \$ 36,104 |
| Net Pension Liability | | | | | |
| STRS | 6,920,033 | 786,899 | - | 7,706,932 | - |
| SERS | 3,264,307 | 437,885 | - | 3,702,192 | - |
| Net OPEB Liability | | | | | |
| SERS | 1,312,517 | - | (181,031) | 1,131,486 | - |
| Total long-term liabilities | \$ 11,927,065 | \$ 1,225,034 | \$ (370,799) | \$ 12,781,300 | \$ 36,104 |

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Note 9 – 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)* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accounts payable and accrued liabilities*.

The remainder of this note includes the required pension disclosures. See Note 10 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 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

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information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

| | Eligible to Retire before August 1, 2017 * | Eligible to Retire on or after August 1, 2017 |
|---------------------------------|---|--|
| Full Benefits | Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced 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, may 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. 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. The COLA is indexed to the percentage increase in the CPIW, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for calendar years 2018, 2019, and 2020. SERS approved a 0.5 percent COLA for calendar year 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2022.

The College’s contractually required contribution to SERS was \$291,043 for fiscal year 2022 and \$255,078 for fiscal year 2021.

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.

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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. 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 until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any 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 plan unfunded liability. A member is eligible to receive a monthly 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 is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

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. New members 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll. The College was required to

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contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2022 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was \$567,100 for fiscal year 2022 and \$506,736 for fiscal year 2021.

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

The net pension liability was measured as of June 30, 2021 and 2020, 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, 2021:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|---------------------|---------------------|--------------|
| Proportion of the Net Pension Liability: | | | |
| Current Measurement Date | 0.05278450% | 0.03082104% | |
| Prior Measurement Date | <u>0.05597330%</u> | <u>0.03185151%</u> | |
| Change in Proportionate Share | <u>-0.00318880%</u> | <u>-0.00103047%</u> | |
| Proportionate Share of the Net | | | |
| Pension Liability | \$ 1,947,595 | \$ 3,940,747 | \$ 5,888,342 |
| Pension Expense | \$ (55,119) | \$ (133,693) | \$ (188,812) |

Following is information related to the proportionate share and pension expense measured as of June 30, 2020:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|--------------------|--------------------|---------------|
| Proportion of the Net Pension Liability: | | | |
| Current Measurement Date | 0.05597330% | 0.03185151% | |
| Prior Measurement Date | <u>0.05455810%</u> | <u>0.03129198%</u> | |
| Change in Proportionate Share | <u>0.00141520%</u> | <u>0.00055953%</u> | |
| Proportionate Share of the Net | | | |
| Pension Liability | \$ 3,702,192 | \$ 7,706,932 | \$ 11,409,124 |
| Pension Expense | \$ 408,632 | \$ 719,582 | \$ 1,128,214 |

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period.

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At June 30, 2022, 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 | \$ 187 | \$ 121,748 | \$ 121,935 |
| Changes of Assumptions | 41,010 | 1,093,234 | 1,134,244 |
| Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions | 16,518 | 55,457 | 71,975 |
| College Contributions Subsequent to the Measurement Date | <u>291,043</u> | <u>567,100</u> | <u>858,143</u> |
| Total Deferred Outflows of Resources | <u>\$ 348,758</u> | <u>\$ 1,837,539</u> | <u>\$ 2,186,297</u> |
| Deferred Inflows of Resources | | | |
| Differences between Expected and Actual Experience | \$ 50,509 | \$ 24,701 | \$ 75,210 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 1,003,072 | 3,396,169 | 4,399,241 |
| Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions | <u>121,321</u> | <u>328,975</u> | <u>450,296</u> |
| Total Deferred Inflows of Resources | <u>\$ 1,174,902</u> | <u>\$ 3,749,845</u> | <u>\$ 4,924,747</u> |

\$858,143 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, 2023. 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: | | | |
| 2023 | \$ (306,764) | \$ (680,526) | \$ (987,290) |
| 2024 | (264,047) | (533,492) | (797,539) |
| 2025 | (238,495) | (541,108) | (779,603) |
| 2026 | <u>(307,881)</u> | <u>(724,280)</u> | <u>(1,032,161)</u> |
| Total | <u>\$ (1,117,187)</u> | <u>\$ (2,479,406)</u> | <u>\$ (3,596,593)</u> |

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At June 30, 2021, 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 | \$ 7,191 | \$ 17,293 | \$ 24,484 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 235,012 | 374,791 | 609,803 |
| Changes of Assumptions | - | 413,715 | 413,715 |
| Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions | 85,010 | 106,428 | 191,438 |
| College Contributions Subsequent to the Measurement Date | 255,078 | 506,736 | 761,814 |
| Total Deferred Outflows of Resources | \$ 582,291 | \$ 1,418,963 | \$ 2,001,254 |
| Deferred Inflows of Resources | | | |
| Differences between Expected and Actual Experience | \$ - | \$ 49,279 | \$ 49,279 |
| Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions | - | 216,598 | 216,598 |
| Total Deferred Inflows of Resources | \$ - | \$ 265,877 | \$ 265,877 |

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2132.

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, 2021, are presented below:

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| | |
|--|---|
| Actuarial Cost Method | Entry Age Normal (Level Percentage of Payroll, Closed) |
| Inflation | 2.40 percent |
| Future Salary Increases, including inflation | 3.25 percent to 13.58 percent |
| Investment Rate of Return | 7.00 percent, net of investment expense, including inflation |
| COLA or Ad Hoc COLA | 2.00 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement |

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five year period ended June 30, 2020.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|-------------------|--|
| Cash | 2.00 % | (0.33) % |
| US Equity | 24.75 | 5.72 |
| Non-US Equity Developed | 13.50 | 6.55 |
| Non-US Equity Emerging | 6.75 | 8.54 |
| Fixed Income/Global Bonds | 19.00 | 1.14 |
| Private Equity | 11.00 | 10.03 |
| Real Estate/Real Assets | 16.00 | 5.41 |
| Multi-Asset Strategies | 4.00 | 3.47 |
| Private Debt/Private Credit | 3.00 | 5.28 |
| Total | 100.00 % | |

Discount Rate Total pension liability was calculated using the discount rate of 7.00 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 23-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 (7.00 percent). Based on those assumptions, the plan's fiduciary net position was

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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. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments was 28.18 percent.

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 7.00 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 (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

| <u>Fiscal Year 2022</u> | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|-------------|
| College's Proportionate Share of the Net Pension Liability | \$ 3,240,320 | \$ 1,947,595 | \$ 857,384 |

| <u>Fiscal Year 2021</u> | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|--------------|
| College's Proportionate Share of the Net Pension Liability | \$ 5,071,551 | \$ 3,702,192 | \$ 2,553,274 |

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation, are presented below:

| | |
|----------------------------|---|
| Inflation | 2.50 percent |
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |
| Projected Salary Increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Investment Rate of Return | 7.00 percent, net of investment expenses, including inflation |
| Payroll Increases | 3.00 percent |
| Cost-of-Living Adjustments | 0.00 percent |

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

The actuarial assumptions used in the June 30, 2021 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2011, through June 30, 2016. An actuarial experience study is done on a quinquennial basis.

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:

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021. 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, 2021. Therefore, the long-term expected rate of return on investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

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 measured as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption:

| Fiscal Year 2022 | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|--------------|
| College's Proportionate Share of the Net Pension Liability | \$ 7,379,544 | \$ 3,940,747 | \$ 1,034,971 |

| Fiscal Year 2021 | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---------------|--------------------------|--------------|
| College's Proportionate Share of the Net Pension Liability | \$ 10,973,330 | \$ 7,706,932 | \$ 4,938,932 |

Assumption and Benefit Changes since the Prior Measurement Date The discount rate was adjusted to 7.00 percent from 7.45 percent for the June 30, 2021 valuation.

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Note 10 – Defined Benefit OPEB Plans

See Note 9 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 Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, 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 year 2022, this amount was \$25,000. 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 2022, the College's surcharge obligation was \$10,076. For fiscal year 2021, the College's surcharge obligation was \$11,502.

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 partial premium reimbursements will be continued indefinitely. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

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, 2021 and 2020, 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, 2021:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|---------------------|---------------------|--------------|
| Proportion of the Net OPEB Liability (Asset): | | | |
| Current Measurement Date | 0.04988100% | 0.03082100% | |
| Prior Measurement Date | <u>0.05206200%</u> | <u>0.03185200%</u> | |
| Change in Proportionate Share | <u>-0.00218100%</u> | <u>-0.00103100%</u> | |
| Proportionate Share of the Net | | | |
| OPEB Liability (Asset) | \$ 944,043 | \$ (649,836) | |
| OPEB Expense | \$ (55,753) | \$ (55,387) | \$ (111,140) |

Following is information related to the proportionate share and OPEB expense measured as of June 30, 2020:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|---------------------|--------------------|--------------|
| Proportion of the Net OPEB Liability (Asset): | | | |
| Current Measurement Date | 0.05206200% | 0.03185200% | |
| Prior Measurement Date | <u>0.05219200%</u> | <u>0.03129200%</u> | |
| Change in Proportionate Share | <u>-0.00013000%</u> | <u>0.00056000%</u> | |
| Proportionate Share of the Net | | | |
| OPEB Liability (Asset) | \$ 1,131,486 | \$ (559,798) | |
| OPEB Expense | \$ (54,488) | \$ (42,789) | \$ (97,277) |

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At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | SERS | STRS | Total |
|--|-------------------|-------------------|---------------------|
| Deferred Outflows of Resources | | | |
| Differences between Expected and Actual Experience | \$ 10,064 | \$ 23,141 | \$ 33,205 |
| Net Difference between Projected and Actual Earnings on OPEB Plan Investments | - | - | - |
| Changes of Assumptions | 148,098 | 41,509 | 189,607 |
| Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions | 18,586 | 9,109 | 27,695 |
| College Contributions Subsequent to the Measurement Date | 10,076 | - | 10,076 |
| Total Deferred Outflows of Resources | <u>\$ 186,824</u> | <u>\$ 73,759</u> | <u>\$ 260,583</u> |
| Deferred Inflows of Resources | | | |
| Differences between Expected and Actual Experience | \$ 470,173 | \$ 119,063 | \$ 589,236 |
| Net Difference between Projected and Actual Earnings on OPEB Plan Investments | 20,511 | 180,119 | 200,630 |
| Changes of Assumptions | 129,280 | 387,672 | 516,952 |
| Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions | 152,632 | 46,847 | 199,479 |
| Total Deferred Inflows of Resources | <u>\$ 772,596</u> | <u>\$ 733,701</u> | <u>\$ 1,506,297</u> |

\$10,076 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | SERS | STRS | Total |
|-----------------------------|---------------------|---------------------|-----------------------|
| Fiscal Year Ending June 30: | | | |
| 2023 | \$ (142,394) | \$ (187,484) | \$ (329,878) |
| 2024 | (142,538) | (182,973) | (325,511) |
| 2025 | (127,329) | (184,420) | (311,749) |
| 2026 | (103,703) | (80,026) | (183,729) |
| 2027 | (59,865) | (25,538) | (85,403) |
| Thereafter | (20,019) | 499 | (19,520) |
| Total | <u>\$ (595,848)</u> | <u>\$ (659,942)</u> | <u>\$ (1,255,790)</u> |

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At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | SERS | STRS | Total |
|--|-------------------|-------------------|---------------------|
| Deferred Outflows of Resources | | | |
| Differences between Expected and Actual Experience | \$ 14,861 | \$ 35,868 | \$ 50,729 |
| Net Difference between Projected and Actual Earnings on OPEB Plan Investments | 12,749 | 19,617 | 32,366 |
| Changes of Assumptions | 192,878 | 9,241 | 202,119 |
| Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions | 23,926 | 13,469 | 37,395 |
| College Contributions Subsequent to the Measurement Date | 11,052 | - | 11,052 |
| Total Deferred Outflows of Resources | \$ 255,466 | \$ 78,195 | \$ 333,661 |
| Deferred Inflows of Resources | | | |
| Differences between Expected and Actual Experience | \$ 575,435 | \$ 111,505 | \$ 686,940 |
| Net Difference between Projected and Actual Earnings on OPEB Plan Investments | - | - | - |
| Changes of Assumptions | 28,498 | 531,713 | 560,211 |
| Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions | 115,691 | 60,268 | 175,959 |
| Total Deferred Inflows of Resources | \$ 719,624 | \$ 703,486 | \$ 1,423,110 |

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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Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, are presented below:

| | |
|---------------------------------------|---|
| Inflation | 2.40 percent |
| Salary Increases, including inflation | 3.25 percent to 13.58 percent |
| Investment Rate of Return | 7.00 percent net of investment expense, including inflation |
| Municipal Bond Index Rate | |
| Measurement Date | 1.92 percent |
| Prior Measurement Date | 2.45 percent |
| Single Equivalent Interest Rate | |
| Measurement Date | 2.27 percent, net of plan investment expense, including price inflation |
| Prior Measurement Date | 2.63 percent, net of plan investment expense, including price inflation |
| Health Care Cost Trend Rate | |
| Pre-Medicare | 6.750 percent - 4.40 percent |
| Medicare | 5.125 percent - 4.40 percent |

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five year period ended June 30, 2020.

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 2016 through 2020, and was adopted by the Board on April 15, 2021. 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, 7.00 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, 2020 five-year experience study, are summarized as follows:

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| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|------------------------------|---|
| Cash | 2.00 % | (0.33) % |
| US Equity | 24.75 | 5.72 |
| Non-US Equity Developed | 13.50 | 6.55 |
| Non-US Equity Emerging | 6.75 | 8.54 |
| Fixed Income/Global Bonds | 19.00 | 1.14 |
| Private Equity | 11.00 | 10.03 |
| Real Estate/Real Assets | 16.00 | 5.41 |
| Multi-Asset Strategies | 4.00 | 3.47 |
| Private Debt/Private Credit | 3.00 | 5.28 |
| Total | <u>100.00 %</u> | |

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2021, was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63 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 1.50 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 all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is 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. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.27 percent) and higher (3.27 percent) than the current discount rate (2.27 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (5.75 percent decreasing to 3.40 percent) and higher (7.75 percent decreasing to 5.40 percent) than the current rate (6.75 percent decreasing to 4.40 percent).

| <u>Fiscal Year 2022</u> | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|----------------------------------|--------------------|
| College's Proportionate Share of the Net OPEB Liability | \$ 1,169,778 | \$ 944,043 | \$ 763,702 |
| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
| College's Proportionate Share of the Net OPEB Liability | \$ 726,833 | \$ 944,043 | \$ 1,234,160 |

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| <u>Fiscal Year 2021</u> | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|----------------------------------|--------------------|
| College's Proportionate Share of the Net OPEB Liability | \$ 1,384,901 | \$ 1,131,486 | \$ 930,007 |
| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
| College's Proportionate Share of the Net OPEB Liability | \$ 890,953 | \$ 1,131,486 | \$ 1,453,121 |

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, 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 | 7.00 percent, net of investment expenses, including inflation | |
| Discount Rate of Return | 7.00 percent | |
| Health Care Cost Trend Rates | | |
| Medical | <u>Initial</u> | <u>Ultimate</u> |
| Pre-Medicare | 5.00 percent | 4.00 percent |
| Medicare | -16.18 percent | 4.00 percent |
| Prescription Drug | | |
| Pre-Medicare | 6.50 percent | 4.00 percent |
| Medicare | 29.98 percent | 4.00 percent |

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, 2021 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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

*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 7.00 percent as of June 30, 2021. 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 7.00 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021.

Sensitivity of the College's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2021, 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.

| <u>Fiscal Year 2022</u> | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|----------------------------------|--------------------|
| College's Proportionate Share of the Net OPEB Liability (Asset) | \$ (548,361) | \$ (649,836) | \$ (734,603) |
| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
| College's Proportionate Share of the Net OPEB Liability (Asset) | \$ (731,168) | \$ (649,836) | \$ (549,261) |
| <u>Fiscal Year 2021</u> | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
| College's Proportionate Share of the Net OPEB Liability (Asset) | \$ (487,061) | \$ (559,798) | \$ (621,513) |
| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
| College's Proportionate Share of the Net OPEB Liability (Asset) | \$ (617,683) | \$ (559,798) | \$ (489,287) |

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Assumption Changes Since the Prior Measurement Date The discount rate was adjusted to 7.00 percent from 7.45 percent for the June 30, 2021 valuation.

Benefit Term Changes Since the Prior Measurement Date The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.100 percent. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in calendar year 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

Note 11 – Operating Expenses by Natural Classification

The College’s operating expenses by natural classification were as follows for the years ended June 30, 2022 and 2021:

| | 2022 | 2021 |
|--|---------------|---------------|
| Salaries and wages | \$ 7,335,722 | \$ 7,019,245 |
| Employee benefits | 1,709,803 | 2,749,102 |
| Utilities | 301,362 | 208,576 |
| Supplies and other services | 2,843,132 | 2,598,161 |
| Depreciation | 977,308 | 928,137 |
| Student scholarships and financial aid | 3,838,320 | 1,150,452 |
| | \$ 17,005,647 | \$ 14,653,673 |

Note 12 - Risk Management

Comprehensive

The College is exposed to various risks of loss related to torts, theft of, damage to, and destructions of assets, errors and omissions, injuries to employees and natural disasters. The College contracts with Markel Insurance Company and United Educators Insurance Company for general liability insurance. Property insurance, including boiler and machinery coverage, is contracted with Marsh USA, Inc. The College has not had a significant reduction in coverage from the prior year.

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

The College provides life insurance, and accidental death and dismemberment insurance to its employees.

The College contracts with the Jefferson Health Plan for hospitalization and major medical, Trustmark Health Benefits, Inc. for dental insurance and Vision Service Plan for vision insurance. The College pays 80 percent of the total monthly premiums for dental and vision coverages and the employee pays for the remaining 20 percent. The College pays 80 percent, or 90 percent of the total monthly premiums for hospitalization and major medical and the employees pay the remaining 50 percent, 20 percent, or 10 percent depending on level of benefit chosen. Premiums are paid from the same funds that pay the employees’ salaries.

The College is involved from time to time in routine litigation. Management does not believe that the ultimate resolution of this litigation will be material to its financial condition or results of operations.

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Medical Self-Insurance

Effective January 1, 2019, medical insurance is offered to employees through a self-insurance plan. The College is a member of the Jefferson Health Plan, Health Benefits Program, a risk and cost saving pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the College’s behalf. The claims liability of \$180,291 reported in the financial statements at June 30, 2022 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the past three fiscal years are as follows:

| Year | Beginning Balance | Current Year Claims | Claim Payments | Ending Balance |
|------|----------------------|------------------------|----------------|----------------|
| 2022 | \$ 137,399 | \$ 1,282,001 | \$ 1,239,109 | \$ 180,291 |
| 2021 | 75,572 | 1,082,621 | 1,020,794 | 137,399 |
| 2020 | 126,607 | 1,333,498 | 1,384,533 | 75,572 |

Note 13 – Component Unit Disclosures

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

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

The Foundation has adopted the provisions of FASB Accounting Standards Codification (ASC) No. 958 *Not-For-Profit Entities*. Under ASC No. 958 the Foundation is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

With Donor Restrictions

Net assets that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

When a donor restriction expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Contributions to the Foundation are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received.

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Washington County, Ohio
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

Equity in Pooled Cash and Cash Equivalents and Investments

Deposits

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

As of June 30, 2022, the carrying amount of the Foundation's deposits was \$181,932 and was covered by FDIC.

As of June 30, 2021, the carrying amount of the Foundation's deposits was \$500,361 and was covered by FDIC.

Investments

Foundation investments are stated at fair value with changes in market value being recognized as gains and losses during the period in which they occur. The following summarizes the fair value of investments of the Foundation as of June 30, 2022 and 2021:

| Investment Type | 2022 Fair Value | 2021 Fair Value |
|--------------------|---------------------|---------------------|
| Money Market Funds | \$ 128,552 | \$ 81,472 |
| Equities | 1,064,763 | 1,146,935 |
| Fixed Income | 450,587 | 442,973 |
| | <u>\$ 1,643,902</u> | <u>\$ 1,671,380</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

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

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

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.

Equities are deemed level 1 inputs and money market and fixed income are deemed level 2 inputs.

Washington State Community College
Washington County, Ohio
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods:

| | 2022 | 2021 |
|----------------------------|--------------|--------------|
| Time/Purpose Restricted | \$ 1,086,479 | \$ 1,007,613 |
| Donor Restricted Endowment | 560,004 | 724,050 |
| Total | \$ 1,646,483 | \$ 1,731,663 |

Donor-Restricted Endowment Fund

The Foundation’s endowment fund was established to support Washington State Community College. The contributions to the endowment fund contain donor restrictions that stipulate the original principal is to be held and invested by the Foundation indefinitely, and income from the fund is to be expended for support. As required by generally accepted accounting principles, net assets associated with the endowment fund are classified and reported based on the existence of donor imposed restrictions.

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

As a result of this interpretation, the Foundation classifies as perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature is classified as purpose or time restricted until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the organization and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the organization
- g. The investment policies of the organization

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Due to declines in investment fair market values as of June 30, 2022, the Foundation had endowed scholarship funds with deficiencies of \$164,046. These endowment funds had fair market values of \$560,004 at June 30, 2022 compared to original gift amounts of \$724,050. There were no such deficiencies noted as of June 30, 2021.

Washington State Community College
Washington County, Ohio
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

The changes in endowment net assets for the years ending June 30, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|------------|------------|
| Endowment Net Assets, Beginning of Year | \$ 724,050 | \$ 570,347 |
| Contributions | - | 153,703 |
| Investment Return Net | (164,046) | 258,988 |
| Amounts Appropriated for Expenditure | - | (258,988) |
| Endowment Net Assets, End of Year | \$ 560,004 | \$ 724,050 |

Support Provided to the College

During the years ended June 30, 2022 and 2021 the Foundation provided resources of \$280,149, and \$204,032, respectively, to or on behalf of the College for scholarships and other purposes.

Liquidity and Availability of Financial Assets

The following reflect the Foundation's financial assets as of the June 30, 2022 and June 30, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial statement date.

| | 2022 | 2021 |
|---|------------|------------|
| Cash and Cash Equivalents | \$ 181,932 | \$ 500,361 |
| Investments | 1,643,902 | 1,671,380 |
| | 1,825,834 | 2,171,741 |
| Less Amounts Unavailable for General Expenditures Within One Year, Due To: | | |
| Donor-Restricted Purpose or Time | 1,086,479 | 1,007,613 |
| Donor-Restricted to Maintain as an Endowment | 560,004 | 724,050 |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | \$ 179,351 | \$ 440,078 |

As part of the Foundation's liquidity management, the Foundation invests cash in excess of requirements in various types of investments. The Foundation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 30 days of normal operating expenses, which were, on average, approximately \$28,000 at June 30, 2022 and \$20,000 at June 30, 2021.

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Washington State Community College
Washington County, Ohio
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

Expense Disclosures

Some categories of expense are attributable to more than one activity and require allocation, applied on a consistent basis. Other expenses are assigned directly to specific activities as expenditures are made.

| 2022 | Program | Supporting Activities | |
|---------------------|-------------------|------------------------|-------------------|
| | | Management and General | Total Expenses |
| Scholarships | \$ 189,600 | \$ - | \$ 189,600 |
| Grant-Related | 49,500 | - | 49,500 |
| Student-Related | 50,489 | - | 50,489 |
| Contracted Services | - | 32,333 | 32,333 |
| Events | - | 12,037 | 12,037 |
| Total Expenses | <u>\$ 289,589</u> | <u>\$ 44,370</u> | <u>\$ 333,959</u> |

| 2021 | Program | Supporting Activities | |
|---------------------|-------------------|------------------------|-------------------|
| | | Management and General | Total Expenses |
| Scholarships | \$ 123,008 | \$ - | \$ 123,008 |
| Grant-Related | 78,473 | - | 78,473 |
| Student-Related | 15,206 | - | 15,206 |
| Contracted Services | - | 22,357 | 22,357 |
| Events | - | 478 | 478 |
| Total Expenses | <u>\$ 216,687</u> | <u>\$ 22,835</u> | <u>\$ 239,522</u> |

Washington State Community College
Washington County, Ohio
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
Last Nine Fiscal Years (1)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| <i>School Employees Retirement System (SERS)</i> | | | | | |
| College's Proportion of the Net Pension Liability | 0.05278450% | 0.05597330% | 0.05455810% | 0.05077240% | 0.05521360% |
| College's Proportionate Share of the Net Pension Liability | \$ 1,947,595 | \$ 3,702,192 | \$ 3,264,307 | \$ 2,907,829 | \$ 3,298,891 |
| College's Covered Payroll | \$ 1,821,986 | \$ 1,887,379 | \$ 1,877,541 | \$ 1,736,193 | \$ 1,690,957 |
| College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 106.89% | 196.16% | 173.86% | 167.48% | 195.09% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 82.86% | 68.55% | 70.85% | 71.36% | 69.50% |
| <i>State Teachers Retirement System (STRS)</i> | | | | | |
| College's Proportion of the Net Pension Liability | 0.03082104% | 0.03185151% | 0.03129198% | 0.03204103% | 0.03362876% |
| College's Proportionate Share of the Net Pension Liability | \$ 3,940,747 | \$ 7,706,932 | \$ 6,920,033 | \$ 7,045,103 | \$ 7,988,584 |
| College's Covered Payroll | \$ 3,619,543 | \$ 3,723,893 | \$ 3,550,557 | \$ 3,527,793 | \$ 3,475,757 |
| College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 108.87% | 206.96% | 194.90% | 199.70% | 229.84% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 87.80% | 75.50% | 77.40% | 77.30% | 75.30% |

(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.

| <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---------------|---------------|--------------|---------------|
| 0.06164840% | 0.07165040% | 0.07100100% | 0.07100100% |
| \$ 4,512,094 | \$ 4,088,441 | \$ 3,593,320 | \$ 4,223,467 |
| \$ 2,200,850 | \$ 2,291,070 | \$ 2,083,990 | \$ 1,946,503 |
| 205.02% | 178.45% | 172.43% | 216.98% |
| 62.98% | 69.16% | 71.70% | 65.52% |
| 0.03307519% | 0.03695785% | 0.03704419% | 0.03704419% |
| \$ 11,071,263 | \$ 10,114,575 | \$ 9,010,429 | \$ 10,704,259 |
| \$ 3,616,936 | \$ 3,591,036 | \$ 4,076,038 | \$ 4,069,423 |
| 306.10% | 281.66% | 221.06% | 263.04% |
| 66.80% | 72.10% | 74.70% | 69.30% |

See accompanying notes to the required supplementary information.

Washington State Community College
Washington County, Ohio
Required Supplementary Information
Schedule of the College's Contributions - Pension
Last Ten Fiscal Years

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|------------------|------------------|------------------|
| <i>School Employees Retirement System (SERS)</i> | | | | | |
| Contractually Required Contribution | \$ 291,043 | \$ 255,078 | \$ 264,233 | \$ 253,468 | \$ 234,386 |
| Contributions in Relation to the Contractually Required Contribution | <u>(291,043)</u> | <u>(255,078)</u> | <u>(264,233)</u> | <u>(253,468)</u> | <u>(234,386)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| College's Covered Payroll | \$ 2,078,879 | \$ 1,821,986 | \$ 1,887,379 | \$ 1,877,541 | \$ 1,736,193 |
| Pension Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 13.50% | 13.50% |
| <i>State Teachers Retirement System (STRS)</i> | | | | | |
| Contractually Required Contribution | \$ 567,100 | \$ 506,736 | \$ 521,345 | \$ 497,078 | \$ 493,891 |
| Contributions in Relation to the Contractually Required Contribution | <u>(567,100)</u> | <u>(506,736)</u> | <u>(521,345)</u> | <u>(497,078)</u> | <u>(493,891)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| College's Covered Payroll | \$ 4,050,714 | \$ 3,619,543 | \$ 3,723,893 | \$ 3,550,557 | \$ 3,527,793 |
| 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>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|------------------|------------------|------------------|------------------|------------------|
| \$ 236,734 | \$ 308,119 | \$ 301,963 | \$ 288,841 | \$ 269,396 |
| <u>(236,734)</u> | <u>(308,119)</u> | <u>(301,963)</u> | <u>(288,841)</u> | <u>(269,396)</u> |
| <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| \$ 1,690,957 | \$ 2,200,850 | \$ 2,291,070 | \$ 2,083,990 | \$ 1,946,503 |
| 14.00% | 14.00% | 13.18% | 13.86% | 13.84% |
| \$ 486,606 | \$ 506,371 | \$ 502,745 | \$ 529,885 | \$ 529,025 |
| <u>(486,606)</u> | <u>(506,371)</u> | <u>(502,745)</u> | <u>(529,885)</u> | <u>(529,025)</u> |
| <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| \$ 3,475,757 | \$ 3,616,936 | \$ 3,591,036 | \$ 4,076,038 | \$ 4,069,423 |
| 14.00% | 14.00% | 14.00% | 13.00% | 13.00% |

See accompanying notes to the required supplementary information.

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See accompanying notes to the required supplementary information.

Washington State Community College
Washington County, Ohio
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net OPEB Liability/(Asset)
Last Six Fiscal Years (1)

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|--------------|--------------|
| <i>School Employees Retirement System (SERS)</i> | | | | | |
| College's Proportion of the Net OPEB Liability | 0.04988100% | 0.05206200% | 0.05219200% | 0.05039600% | 0.05557400% |
| College's Proportionate Share of the Net OPEB Liability | \$ 944,043 | \$ 1,131,486 | \$ 1,312,517 | \$ 1,398,124 | \$ 1,491,460 |
| College's Covered Payroll | \$ 1,821,986 | \$ 1,887,379 | \$ 1,877,541 | \$ 1,736,193 | \$ 1,690,957 |
| College's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 51.81% | 59.95% | 69.91% | 80.53% | 88.20% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 24.08% | 18.17% | 15.57% | 13.57% | 12.46% |
| <i>State Teachers Retirement System (STRS)</i> | | | | | |
| College's Proportion of the Net OPEB Liability/(Asset) | 0.03082100% | 0.03185200% | 0.03129200% | 0.03204100% | 0.03362876% |
| College's Proportionate Share of the Net OPEB Liability/(Asset) | \$ (649,836) | \$ (559,798) | \$ (518,271) | \$ (514,867) | \$ 1,312,070 |
| College's Covered Payroll | \$ 3,619,543 | \$ 3,723,893 | \$ 3,550,557 | \$ 3,527,793 | \$ 3,475,757 |
| College's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll | -17.95% | -15.03% | -14.60% | -14.59% | 37.75% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 174.73% | 182.10% | 174.70% | 176.00% | 47.10% |

(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.

2017

0.06153646%

\$ 1,754,017

\$ 2,200,850

79.70%

11.49%

0.03307519%

\$ 1,768,870

\$ 3,616,936

48.91%

37.30%

See accompanying notes to the required supplementary information.

Washington State Community College
Washington County, Ohio
Required Supplementary Information
Schedule of the College's Contributions - OPEB
Last Seven Fiscal Years (2)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-----------------|-----------------|----------------|-----------------|-----------------|
| <i>School Employees Retirement System (SERS)</i> | | | | | |
| Contractually Required Contribution (1) | \$ 10,076 | \$ 11,052 | \$ 4,968 | \$ 23,813 | \$ 30,966 |
| Contributions in Relation to the Contractually Required Contribution | <u>(10,076)</u> | <u>(11,052)</u> | <u>(4,968)</u> | <u>(23,813)</u> | <u>(30,966)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| College's Covered Payroll | \$ 2,078,879 | \$ 1,821,986 | \$ 1,887,379 | \$ 1,877,541 | \$ 1,736,193 |
| OPEB Contributions as a Percentage of Covered Payroll (1) | 0.48% | 0.61% | 0.26% | 1.27% | 1.78% |
| <i>State Teachers Retirement System (STRS)</i> | | | | | |
| Contractually Required Contribution | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in Relation to the Contractually Required Contribution | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| College's Covered Payroll | \$ 4,050,714 | \$ 3,619,543 | \$ 3,723,893 | \$ 3,550,557 | \$ 3,527,793 |
| OPEB Contributions as a Percentage of Covered Payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

(1) Includes surcharge

(2) Information prior to 2016 is not available

See accompanying notes to the required supplementary information.

| <u>2017</u> | <u>2016</u> |
|-----------------|-----------------|
| \$ 28,184 | \$ 28,131 |
| <u>(28,184)</u> | <u>(28,131)</u> |
| <u>\$ -</u> | <u>\$ -</u> |
| \$ 1,690,957 | \$ 2,200,850 |
| 1.67% | 1.28% |
| | |
| \$ - | \$ - |
| <u>-</u> | <u>-</u> |
| <u>\$ -</u> | <u>\$ -</u> |
| \$ 3,475,757 | \$ 3,616,936 |
| 0.00% | 0.00% |

See accompanying notes to the required supplementary information.

Washington State Community College
Washington County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

NOTE 1 - NET PENSION LIABILITY

There were no changes in assumptions or benefit terms for the fiscal years reported unless otherwise stated below:

Changes in Assumptions - SERS

For fiscal year 2022, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.00 percent to 2.40 percent
- Payroll growth assumption was reduced from 3.50 percent to 1.75 percent
- Assumed real wage growth was reduced from 0.50 percent to 0.85 percent
- Discount rate was reduced from 7.50 percent to 7.00 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members, service retirees and beneficiaries, and disabled members were updated.

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 Benefit Terms - SERS

For fiscal year 2021, cost-of-living adjustments was reduced from 2.50 percent to 2.00 percent.

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

Changes in Assumptions – STRS

For fiscal year 2022, the long term expected rate of return was reduced from 7.45 percent to 7.00 percent.

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

Washington State Community College
Washington County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - STRS

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

NOTE 2 - NET OPEB LIABILITY (ASSET)

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

| | |
|------------------|--------------|
| Fiscal year 2022 | 1.92 percent |
| Fiscal year 2021 | 2.45 percent |
| 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 2022 | 2.27 percent |
| Fiscal year 2021 | 2.63 percent |
| 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 Trend Assumption

| | |
|------------------|--|
| Fiscal year 2022 | 6.75 percent initially, decreasing to 4.40 percent |
| Fiscal year 2021 | 7.00 percent initially, decreasing to 4.75 percent |
| 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 Trend Assumption

| | |
|------------------|---|
| Fiscal year 2022 | 5.125 percent initially, decreasing to 4.40 percent |
| Fiscal year 2021 | 5.25 percent initially, decreasing to 4.75 percent |
| 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 |

Washington State Community College
Washington County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

Changes in Benefit Terms – SERS

There have been no changes to the benefit provisions.

Changes in Assumptions – STRS

For fiscal year 2021, valuation year per capita health care costs were updated. Health care cost trend rates ranged from -5.20 percent to 9.60 percent initially for fiscal year 2020 and changed for fiscal year 2021 to a range of -6.69 percent to 11.87 percent, initially.

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 – STRS

For fiscal year 2021, there were no changes to the claims costs process. Claim curves were updated to reflect the projected fiscal year 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to .1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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.

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

Board of Trustees
Washington State Community College
Washington County, Ohio
710 Colegate Drive
Marietta, OH 45750

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 Washington State Community College, Washington County, Ohio (the “College”), a component unit of the State of Ohio, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements, and have issued our report thereon dated November 10, 2022.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as item 2022-001 that we consider to be a material weakness.

Report on 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*.

College's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the findings identified in our audit and described in the accompanying *Corrective Action Plan*. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Marietta, Ohio
November 10, 2022

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

Board of Trustees
Washington State Community College
Washington County, Ohio
710 Colegate Drive
Marietta, OH 45750

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Washington State Community College's, Washington County, Ohio (the "College") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of College's major federal programs for the year ended June 30, 2022. 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*.

In our opinion, the College complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Marietta, Ohio
November 10, 2022

**WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2022**

| | Assistance Listing Number | Pass-through Entity Identifying Number | Expenditures | Passed Through to Subrecipients |
|---|---------------------------------|--|--------------|------------------------------------|
| <u>U.S. Department of Education</u> | | | | |
| <i>Direct Program</i> | | | | |
| Student Financial Assistance Cluster | | | | |
| Federal Pell Grant | 84.063 | | \$ 2,503,262 | \$ - |
| Federal Work Study | 84.033 | | 18,793 | - |
| Federal SEOG Grant | 84.007 | | 60,100 | - |
| Federal Direct Student Loans (Note 3) | 84.268 | | 2,018,919 | - |
| Total Student Financial Assistance Cluster | | | 4,601,074 | - |
| TRIO Cluster | | | | |
| Educational Talent Search | 84.044 | | 410,430 | - |
| Upward Bound | 84.047 | | 353,335 | - |
| Total TRIO Cluster | | | 763,765 | - |
| Education Stabilization Fund | | | | |
| COVID-19: Higher Education Emergency Relief Fund - Student | 84.425E | | 1,996,068 | - |
| COVID-19: Higher Education Emergency Relief Funds - Institution | 84.425F | | 1,379,043 | - |
| COVID-19: Higher Education Emergency Relief Funds - SIP | 84.425M | | 136,588 | - |
| <i>Passed Through Ohio Department of Higher Education</i> | | | | |
| COVID-19: GEER Mental Health Support | 84.425C | | 14,736 | - |
| Total Education Stabilization Fund | | | 3,526,435 | - |
| <i>Passed Through Ohio Department of Education</i> | | | | |
| Vocational Education - Basic Grants to States | 84.048A | 2022 | 96,568 | - |
| Total U.S. Department of Education | | | 8,987,842 | - |
| <u>Appalachian Regional Commission</u> | | | | |
| <i>Direct Program</i> | | | | |
| Appalachian Area Development | 23.002 | PW-19717-IM-2019 | 19,099 | - |
| Total Appalachian Regional Commission | | | 19,099 | - |
| Total Federal Awards | | | \$ 9,006,941 | \$ - |

See accompanying notes to the schedule of expenditures of federal awards.

Washington State Community College
Washington County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(B)(6)
For Fiscal Year Ended June 30, 2022

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity of Washington State Community College (the College) includes the federal award activity of the federal government for the year ended June 30, 2022. 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

The accompanying schedule of expenditures of federal awards includes federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented 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). The College did not elect 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 | \$ 876,491 |
| Federal Unsubsidized Loans | 1,140,598 |
| Federal Plus Loans | <u>1,830</u> |
| Total Federal Direct Student Loans | <u>\$ 2,018,919</u> |

Washington State Community College
Washington County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2022

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)? | Yes |
| (d)(1)(ii) | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | None Reported |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other significant deficiencies in internal control reported for major federal programs? | None Reported |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| (d)(1)(vii) | Major Programs (list): Education Stabilization Fund: COVID-19: Higher Education Emergency Relief Funds – Student COVID-19: Higher Education Emergency Relief Funds – Institution COVID-19: Higher Education Emergency Relief Funds – SIP COVID-19: GEER Mental Health Support | Assistance Listing #s: 84.425E 84.425F 84.425M 84.425C |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: >\$750,000 Type B: All others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR §200.520? | Yes |

Washington State Community College
Washington County, Ohio
Schedule of Findings and Questioned Costs (Continued)
2 CFR Section 200.515
June 30, 2022

| |
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| 2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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Finding Number: 2022-001

Material Weakness – Internal Controls over Financial Reporting

Criteria: The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. AU-C 265 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client’s internal control over financial reporting. This standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, AU-C 265 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Condition: There was a material audit adjustment made to the financial statements presented for audit. During audit procedures, it was noted that accounts receivable was overstated and scholarship expenses were understated by \$2,056,009. An adjustment was required to correct the financial statements.

Cause: When applying Community Impact Grants to student accounts, there was a breakdown in the process and entries to record scholarship expenses and decrease receivables were not properly posted. The College’s internal controls did not prevent or detect the issue in a timely manner. Additionally, the internal controls over the final review of the financial statements did not identify potential misstatements.

Effect: The financial statements presented for audit contained a material misstatement.

Recommendation: The College should implement internal controls to ensure all student aid transactions are posted and properly reflected in the accounting system.

Management’s Response: See Corrective Action Plan.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None noted.



CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2022

Finding Number: 2022-001
Planned Corrective Action: The College will establish procedures to ensure necessary journal entries are completed for aid transmittals.
Anticipated Completion Date: 12/31/22
Responsible Contact Person: Angie Lang, CFO

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OHIO AUDITOR OF STATE KEITH FABER



WASHINGTON STATE COMMUNITY COLLEGE

WASHINGTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/1/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov