Eastern Gateway Community College

Basic Financial Statements
June 30, 2016

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Eastern Gateway Community College, Jefferson County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

January 18, 2017

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Eastern Gateway Community College

For the Year Ended June 30, 2016

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Independent Auditor's Report

Board of Trustees
Eastern Gateway Community College
Steubenville, Ohio

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Board of Trustees
Eastern Gateway Community College

Opinions

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

Emphasis of Matter

As described in Note 2 to the basic financial statements, in fiscal year 2016, the College adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application.* These changes were incorporated in the College's 2016 financial statements; however, there was no effect on beginning net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the schedules of the College's proportionate share of the net pension liability and the schedules of the College's contributions on pages 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Ciuni + Panichi, Inc.

Cleveland, Ohio
December 29, 2016

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This section of Eastern Gateway Community College's (the "College" or EGCC) Annual Financial Report presents management's discussion and analysis of the College's financial activity during the fiscal year ended June 30, 2016.

USING THIS ANNUAL REPORT

The College is reporting its financial position in accordance with the Governmental Accounting Standards Board (GASB) Statement 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement 35 – *For Public Colleges and Universities*, as amended by GASB Statements 37 and 38. Comparative condensed financial information has been presented for the current year and the prior year.

This report consists of three basic financial statements: The Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements provide information on the College as a whole, and present a snapshot of the College's finances. The following functions are included in the College's basic financial statements:

- Instruction
- Academic Support
- Student Services
- Institutional Support
- Operation and Maintenance of Plant
- Student Aid
- Public Service
- Auxiliary Services
- Scholarships and fellowships

The Statement of Net Position acts much like a consolidated balance sheet does for a business. It shows the book value of all asset categories, and compares them to the amount of liabilities, with the residual difference, called Net Position, being detailed by the type of commitment which gave rise to the underlying assets.

The Statement of Revenues, Expenses, and Changes in Net Position acts as a statement of the College's operations. Revenues and expenses on the accrual basis of accounting are detailed by operating type, and the reconciliation between the beginning and ending Net Position is presented. The Statement of Cash Flows presents the sources and uses of all cash transactions conducted by the College, broken down by type of functional activity. This statement assists the reader in determining the College's ability to generate future cash flows, meet its obligations as they become due and assess the need for additional funding or financing. These statements may help the reader understand what the financial health of the College is at the end of the fiscal year, as well as indicating the changes in financial position since the end of the prior year. Over time, increases in net position, which are the result of the College keeping expenses lower than revenues, indicate a strengthening of the College's financial health.

During 2015, the College adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the College's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

USING THIS ANNUAL REPORT (continued)

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

Under the new standards required by GASB 68, the net pension liability equals the College's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the College is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The economic position of Eastern Gateway Community College is closely tied to that of the State. The current conditions in Ohio mirror that of many other states. State and federal government leaders seem determined to continue to support community college activities despite the budget constraints at each level. Jefferson Community College officially became Eastern Gateway Community College in October 2009. Eastern Gateway Community College, authorized by the Ohio General Assembly in July 2009 serves Trumbull, Mahoning, Columbiana, and Jefferson Counties in eastern Ohio and the Mahoning Valley. This has opened a large market for potential enrollment increases for the College.

The College was awarded a 5-year $14.8 million grant from the Department of Health and Human Services, known as the HOPE Grant. The HOPE Grant was established to provide training and intensive counseling for adults re-entering the workforce, primarily in the allied health technologies. The grant has provided substantial income. However, funding from this source ended on September 29, 2015.

In fiscal year 2009, the College's local levy funds were approximately $1.2 million. Due to utility and personal property deregulation, this amount for fiscal year 2016 and future years has been reduced to approximately $900,000. The College's current one (1) mill levy to support the Jefferson County Campus was renewed in 2016. The population of the service district, which includes the counties of Jefferson, Columbiana, Mahoning and Trumbull, is now 626,685. The previous service district only included Jefferson County with a population of 69,409, so this represents an almost 10-fold growth in potential students for the College. The newly added counties of Mahoning and Trumbull have large numbers of urban poor, which presents distinct challenges in recruiting and retaining students; likewise, Columbiana has a distinctly rural population with a separate set of issues when doing the same.

The Valley Center site for EGCC located in downtown Youngstown provides a new level of permanency. Previously, the College was quartered in various sites with short-term leases or in career and technical centers with limited evening access. The permanent location has possibilities for expansion and is adding to brand recognition. Facilities are state of the art and will help attract students. The College is providing an additional anchor for the revitalization of the downtown area of Youngstown and, as that growth continues, the College can expect to benefit.

The College has opened a second permanent site in Warren, Ohio, to serve the population in that area. This site began full operations in January 2015 for the Spring 2015 semester. During fiscal year 2012, the College began working with a company (Higher Education Partners) headquartered in Rhode Island, which had previous experience assisting other community colleges expand their operations. With the help of the Ohio Attorney General's Office, Eastern Gateway Community College, as well as another community college in Ohio, entered into formal agreements with Higher Education Partners with a long-term financial arrangement to help with expansion. Eastern Gateway Community College's arrangement with Higher Education Partners allowed for EGCC to open a new location in Downtown Youngstown in the Fall of 2012 and in Downtown Warren in the Spring of 2015. The partnership arrangement calls for the renovation and equipping of the building to be funded by Higher Education Partners. In return, they will receive a percentage of the income from enrollment at the new building. The same arrangement was extended to Higher Education Partners for the new permanent site in Warren.

During the later part of fiscal year 2016, the College piloted an online degreed program marketed to Ohio trade unions working with HEP and Pearson. A formalized 5 year agreement was entered into in July of 2016 with HEP and Pearson. The agreement expands the initiative to a nationwide effort in collaboration with the American Federation of State County and Municipal Employees (AFSCME).

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE (continued)

Eastern Ohio is experiencing a strong growth in the oil and natural gas industry due to the presence of the Marcellus and Utica shales. Tremendous opportunities exist for the College's Workforce Development and Training department and for specialized technical training within the Engineering department. Programs such as welding and waste water treatment have been established to provide training related to the industry. Grants have been obtained to fund some of the training.

CAPITAL PROJECTS

The College upgraded its exterior signage with the installation of two electric signs during the Summer of 2015. Efficiency upgrades were also made throughout the Jefferson County Campus as part of a state-wide energy savings initiative. The efficiency upgrades included replacing all external and internal lighting of the College. The efficiency upgrades were financed through the issuance of $1,831,736 in Ohio Air Quality Development Authority ("OAQDA") bonds. The Efficiency Project was completed July of 2015.

During fiscal year 2016, the Fire Alarm project costing $186,417 was completed. The fire alarm was replaced in order to comply with the current fire ordinances. Also, $150,000 of capital funding was spent on a noncapital project, the Campus Master Plan. The Campus Master Plan provided initiatives to lead the college to growth and links to the current capital projects in process.

Current capital projects in process include the renovations of the learning spaces (classrooms) and the Student Success Center at the Jefferson campus. Learning space renovations, include the welding, physics and nursing labs, should be completed during fiscal year 2017. As of June 30, 2016, $924,745 was spent on the renovations of the current learning spaces. The funding comes from the 2015-2016 capital biennium budget.

SUMMARY OF FINANCIAL INFORMATION

Net position is made up of the following for the fiscal years ended:

	June 30, 2015	June 30, 2016
Net Position		
Net investment in capital assets	$ 11,667,771	$ 12,276,093
Restricted For:Nonexpendable		
Scholarships	63,690	64,120
Restricted For: Expendable		
Scholarships	190,019	197,504
Capital	207,647	223,902
Educational and General	20,913	37,887
Unrestricted(General and Auxiliary)	(17,500,741)	(17,525,624)
Total Net Position	$ (5,350,701)	$ (4,726,118)

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

SUMMARY OF FINANCIAL INFORMATION (continued)

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

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

The unrestricted net position of the College decreased by $24,883 for the fiscal year ended June 30, 2016.

EASTERN GATEWAY COMMUNITY COLLEGE

Statement of Net Position

June 30, 2016

	Primary Institution	Component Unit
	Eastern Gateway CC	EGCC Foundation
Assets		
Current assets		
Cash and cash equivalents	$ 419,977	$ 303,433
Short-term investments	1,631,591	62,811
Student accounts receivable, net	963,809	-
Property tax receivable	889,441	-
Other receivables	1,220,433	480
Prepaid expenses	573,869	-
Inventory	218,019	-
Total current assets	5,917,139	366,724
Non-current assets		
Restricted cash and cash equivalents	2,602	-
Endowment investments	67,058	218,710
Capital assets, net	13,991,944	-
Total non-current assets	14,061,604	218,710
Total assets	19,978,743	585,434
Deferred Outflow of Resources		
Pensions:		
SERS	505,102	-
STRS	1,466,564	-
Total deferred outflow of resources	$ 1,971,666	$ -

(continued)

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

EASTERN GATEWAY COMMUNITY COLLEGE

Statement of Net Position (continued)

June 30, 2016

	Primary Institution	Component Unit
	Eastern Gateway CC	EGCC Foundation
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 614,160	$ -
Accrued wages	76,629	-
Unearned revenue	378,808	-
Deposits	8,634	-
Compensated absences - current portion	66,483	-
Long-term debt - current portion	115,541	-
Total current liabilities	1,260,255	-
Non-current liabilities		
Bonds payable	1,605,275	-
Net pension liability - SERS	4,936,248	-
Net pension liability - STRS	15,986,307	-
Compensated absences	772,520	-
Total non-current liabilities	23,300,350	-
Total liabilities	24,560,605	-
Deferred Inflows of Resources		
Property taxes	512,392	-
Pensions:		
SERS	453,813	-
STRS	1,149,717	-
Total deferred inflows of resources	2,115,922	-
Net Position		
Net investment in capital assets	12,276,093	-
Restricted for		
Nonexpendable		
Scholarships	64,120	218,710
Expendable		
Scholarships	197,504	278,896
Capital	223,902	69,469
Educational and general	37,887	15,307
Unrestricted	(17,525,624)	3,052
Total net position	$ (4,726,118)	$ 585,434

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

EASTERN GATEWAY COMMUNITY COLLEGE
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016

	Primary Institution	Component Unit
	Eastern Gateway CC	EGCC Foundation
Revenues		
Operating revenues:		
Tuitions and student fees (net of scholarship allowances of $9,301,417)	$ 4,322,876	$ -
Auxiliary enterprises revenue	168,653	-
Federal grants and contracts	1,838,331	-
State grants and contracts	100,000	
Local grants and contracts	44,700	-
Other operating revenue	106,028	-
Donations	-	155,346
Total operating revenues	6,580,588	155,346
Expenses		
Operating expenses:		
Education and general	6,786,025	7,741
Public service	326,212	-
Academic support	770,305	-
Student services	2,433,675	-
Institutional support	4,298,204	-
Operation and maintenance of plant	1,017,831	-
Scholarships and fellowships	1,670,828	40,052
Auxiliary enterprises	47,892	-
Depreciation	627,701	-
Total operating expenses	17,978,673	47,793
Operating (loss) income	(11,398,085)	107,553
Non-operating revenues (expenses)		
Capital funds	1,638,326	-
State grants and contracts	6,523,446	-
Federal grants and contracts	4,398,862	-
Investment income (loss)	24,798	(5,257)
Interest expense	(63,280)	-
Property taxes	824,101	-
Total non-operating revenues	13,346,253	(5,257)
Income before partnership loss	1,948,168	102,296
Partnership loss	(1,323,585)	-
Change in net position	624,583	102,296
Net position		
Net position, beginning of year	(5,350,701)	483,138
Net position, end of year	$ (4,726,118)	$ 585,434

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

EASTERN GATEWAY COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2016

		Primary Institution
		Eastern Gateway CC
Cash flow from operating activities		
Student tuition and fees	$	2,589,350
Grants and contracts		1,983,031
Payments to suppliers		(4,933,387)
Employee and related payments		(11,214,342)
Auxiliary enterprise		168,653
Other income		182,008
Net cash used by operating activities		(11,224,687)
Cash flows from non-capital financing activities		
State appropriations		6,487,806
Local property tax receipts		824,101
Grants and contracts		4,434,502
Payments to partnership		(1,241,864)
Net cash provided by non-capital financing activities		10,504,545
Cash flows from capital and related financing activities		
Capital grants received		1,638,326
Purchases of capital assets		(1,429,629)
Principle payments on bond payable		(110,920)
Interest payments on bond payable		(66,785)
Net cash provided by capital and related financing activities		30,992
Cash flows from investing activities		
Investment income		17,244
Purchase of investments and related fees		(541)
Net cash provided by investing activities		16,703
Net decrease in cash		(672,447)
Cash, beginning of year		1,095,026
Cash, end of year	$	422,579

(continued)

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

EASTERN GATEWAY COMMUNITY COLLEGE

Statement of Cash Flows (continued)

For the Year Ended June 30, 2016

		Primary Institution
		Eastern Gateway CC
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$	(11,398,085)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense		627,701
Net pension expense		(134,747)
Miscellaneous income		(81,721)
(Increase) decrease in assets:		
Receivables, net		300,316
Inventories		(209,787)
Prepaid expenses		(55,637)
Decrease (increase) in liabilities:		
Accounts payable and accrued liabilities		103,303
Deferred inflow of resources - property taxes		(329,689)
Unearned revenue		112,827
Deposits		(2,407)
Compensated absences		(156,761)
Net cash used by operating activities	$	(11,224,687)
Non-cash capital and related financing activities:		
Purchases of capital assets included in accounts payable	$	181,406
Change in fair value of investments		6,832

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

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Net Position Classifications

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Classification of Revenues

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

> *Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of external scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of discounts and allowances, and (3) most federal, state and local grants and contracts and federal appropriations.
>
> *Non-operating revenues:* Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, such as state appropriations, investment income, and property taxes.

Use of Estimates

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

Cash Equivalents

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

Investments

The College accounts for its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

Inventory

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

Accounts Receivable

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

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

Unearned Revenues

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

Compensated Absences

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

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

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

Non-current Liabilities

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

Deferred Outflow/Inflow of Resources

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflow of resources. Deferred inflow of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflow of resources include property taxes and pensions. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on the Statement of Net Position. The deferred inflow of resources related to pensions are explained in Note 9.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Subsequent Events
In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through December 29, 2016, the date the financial statements were available to be issued.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

The College's Board of Trustees is responsible for selecting depositories and investing funds. Protection for the College's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), qualified securities pledged in the name of the College and held at the Federal Reserve, or by a collateral pool created by the financial institution to cover all local governmental deposits. The face value of the pooled collateral must equal to at least 110 percent of the public funds on deposit. At least quarterly, the College determines that the collateral has a market value adequate to cover the deposits. Collateral is held by Trustees, including the Federal Reserve Bank and the Federal Home Loan Bank Board.

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

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

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

Description	Carrying Amount	Bank Balance
Checking and savings account	$ 415,013	$ 667,889
Agency cash	2,602	2,602
Huntington Bank Escrow Construction Fund	79	79
Huntington Bank Escrow Expense Fund	4,885	4,885
Total cash and cash equivalents	$ 422,579	$ 675,455

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

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

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

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. Of the bank balance of 675,455, the Federal Depository Insurance Corporation insured $254,964 and the balance of $420,491 was exposed to custodial credit risk because it was collateralized by U.S. Government Securities not in the College's name. The College also maintains a small on-hand cash balance to maintain day-to-day operations in the cashier's office, bookstore, and food service operations

The application of GASB Statement No. 40 does not have a material impact on the College's financial position or results of operations.

Investments

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

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

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

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2016, consisted of accounts (tuition and other fees), notes, interest, levy receivables, receivable due from the College's partner in Youngstown (HEP) and intergovernmental grants. All receivables, except for those considered doubtful accounts and in collections with the Ohio Attorney General, are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal awards.

Other receivables consisted of the following at June 30, 2016:

Grant receivables	$	564,104
Higher Education Partners (HEP) receivable		606,470
Third parties		48,441
Interest receivable		1,418
Total other receivables	$	1,220,433

NOTE 5 – CAPITAL ASSETS

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

Description	Balance at July 1, 2015	Increases	Decreases	Balance at June 30, 2016
Capital assets, non-depreciable:				
Land	$ 629,200	$ -	$ -	$ 629,200
Construction in progress	1,635,953	924,745	1,635,953	924,745
Total capital assets, non-depreciable	2,265,153	924,745	1,653,953	1,553,945
Capital assets, depreciable:				
Buildings and improvements	20,435,971	1,945,431	-	22,381,402
Equipment and furniture	2,338,049	14,000	-	2,352,049
Total depreciable	22,774,020	1,959,431	-	24,733,451
Less accumulated depreciation:				
Buildings and improvements	9,903,814	474,571	-	10,413,346
Equipment and furniture	1,763,937	153,130	-	1,882,106
Total accumulated depreciation	11,667,751	627,701	-	12,295,452
Total capital assets, depreciable, net	11,106,269	1,331,730	-	12,437,999
Capital assets, net	$ 13,371,422	$ $2,256,475	$ $1,635,953	$ $13,991,944

NOTE 6 – STATE SUPPORT

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

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

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

NOTE 7 – LOCAL APPROPRIATIONS

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in Jefferson County. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by state law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2016 represent collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received from telephone companies during calendar 2016 were levied after October 1, 2015, on the value as of December 31, 2015. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the College prior to June 30.

NOTE 7 – LOCAL APPROPRIATIONS (continued)

Property taxes are levied and assessed on a calendar year basis while the College fiscal year runs from July through June. The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the College. First-half tax collections are received by the College in the second half of the fiscal year. Second-half tax collections occur in the first half of the following fiscal year, and are reflected in property tax receivable. The County Treasurer periodically advances to the College its portion of the taxes collected. The amount available to be advanced can vary based on the date the tax bills are sent. Accrued property taxes receivable includes real property and public utility real property and personal property taxes and outstanding delinquencies which are measureable as of June 30, 2016 and for which there is an enforceable legal claim. The remaining portion of the receivable is offset by a credit to deferred inflow of resources – property taxes.

NOTE 8 – LONG-TERM LIABILITIES

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

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

OAQDA 2014 Series A Bonds

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

NOTE 8 – LONG-TERM LIABILITIES (continued)

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

Due Date	Principal	Interest	Total Debt Service
July 1, 2016		10,411	10,411
January 1, 2017	115,541	10,411	125,952
July 1, 2017		9,075	9,075
January 1, 2018	118,199	9,075	127,274
July 1, 2018		7,709	7,709
January 1, 2019	120,919	7,709	128,628
July 1, 2019		6,311	6,311
January 1, 2020	123,701	6,311	130,012
July 1, 2020		4,881	4,881
January 1, 2021	126,548	4,881	131,429
July 1, 2021		3,418	3,418
January 1, 2022	129,460	3,418	132,878
July 1, 2022		1,921	1,921
January 1, 2023	132,438	1,922	134,360
July 1, 2023		391	391
January 1, 2024	33,774	391	34,165
Total	**$ 900,580**	**$ 88,235**	**$ 988,815**

OAQDA 2014 Series B Bonds

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

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

NOTE 8 – LONG-TERM LIABILITIES (continued)

Due Date	Principal	Interest	Total Debt Service
July 1, 2016		20,588	20,588
January 1, 2017		20,588	20,588
July 1, 2017		20,588	20,588
January 1, 2018		20,588	20,588
July 1, 2018		20,588	20,588
January 1, 2019		20,588	20,588
July 1, 2019		20,588	20,588
January 1, 2020		20,588	20,588
July 1, 2020		20,588	20,588
January 1, 2021		20,588	20,588
July 1, 2021		20,588	20,588
January 1, 2022		20,588	20,588
July 1, 2022		20,588	20,588
January 1, 2023		20,588	20,588
July 1, 2023		20,588	20,588
January 1, 2024	$ 101,712	20,588	122,300
July 1, 2024		18,035	18,035
January 1, 2025	138,236	18,035	156,271
July 1, 2025		14,565	14,565
January 1, 2026	140,918	14,565	155,483
July 1, 2026		11,028	11,028
January 1, 2027	143,652	11,028	154,680
July 1, 2027		7,423	7,423
January 1, 2028	146,439	7,423	153,862
July 1, 2028		3,747	3,747
January 1, 2029	149,279	3,746	153,025
Total	**$ 820,236**	**$ 439,003**	**$ 1,259,239**

Principal and interest requirements to retire the OAQDA bonds are as follows:

Fiscal Year	Principal	Interest	Total Debt Service
2017	115,541	61,998	177,539
2018	118,199	59,326	177,525
2019	120,919	56,594	177,513
2020	123,701	53,798	177,499
2021-2025	662,168	221,997	884,165
2026-2030	580,288	73,525	653,813
Total	**$ 1,720,816**	**$ 527,238**	**$ 2,248,054**

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

NOTE 9 – PENSION PLANS

Net Pension Liability

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

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

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

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

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

NOTE 9 – PENSION PLANS (continued)

School Employees Retirement Systems

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14.00 percent. There was no allocation to the Health Care Fund for the year.

The College's contractually-required contributions to SERS were $425,619, $361,540, and $403,005 for fiscal years 2016, 2015 and 2014, respectively. The College contributed 100 percent of the required contribution as of June 30, 2016, 2015 and 2014.

NOTE 9 – PENSION PLANS (continued)

State Teachers Retirement System

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

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions 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 services. 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.

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

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

NOTE 9 – PENSION PLANS (continued)

State Teachers Retirement System (continued)

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

The College's contractually-required contributions to STRS were $690,458, $849,014 and $751,602 for fiscal years 2016, 2015 and 2014, respectively, which equals the contractually required contributions for each year.

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

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$ 4,936,248	$ 15,986,307	$ 20,922,555
Proportion of the Net Pension Liability	0.086508300%	0.0578437%	
Pension Expense	$ 238,440	$ 742,890	$ 981,330

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

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

NOTE 9 – PENSION PLANS (continued)

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

The College reported $1,116,077 as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	$ (153,938)	$ (298,143)	$ (452,081)
2018	(153,938)	(298,143)	(452,081)
2019	(153,940)	(298,142)	(452,082)
2020	87,486	520,817	608,303
	$ (374,330)	$ (373,611)	$ (747,941)

Actuarial Assumptions – SERS

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

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

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

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

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

NOTE 9 – PENSION PLANS (continued)

Actuarial Assumptions – SERS (continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	$ 6,844,801	$ 4,936,248	$ 3,329,088

NOTE 9 – PENSION PLANS (continued)

Actuarial Assumptions – STRS

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

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

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2013.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. 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, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

NOTE 9 – PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	$22,206,186	$15,986,307	$10,726,472

NOTE 10 – POST-EMPLOYMENT BENEFITS

School Employee Retirement System

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2016, the health care allocation is 0 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service was earned. By statute no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total state-wide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at $23,000. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the total amount assigned to the Health Care Fund. The College's contributions assigned to health care for the years ended June 30, 2016, 2015 and 2014 were $-0-, $16,847 and $36,571, respectively.

The SERS Retirement Board establishes the rules for premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

NOTE 10 – POST-EMPLOYMENT BENEFITS (continued)

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. For years ended June 30, 2014 and 2013, 1 percent of covered payroll was allocated to post-employment health care. The College's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $-0-, $-0-, and $57,816, respectively.

NOTE 11 – RISK MANAGEMENT

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

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

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

Rates – July 1, 2015 to June 30, 2016

	PPO
Single Coverage	$ 420.26
Employee/Spouse	923.70
Employee/Child	709.38
Family Coverage	1,297.32

NOTE 11 – RISK MANAGEMENT (continued)

The College is exposed to various risks of loss related to torts, theft of, damage to, destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year 2016, the College contracted with insurance companies for coverage of buildings and contents.

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

Coverage	Amount	Deductible
Commercial Property and Building & Business Income		
– Per Occurrence Limit	$ 1,000,000,000	$ 10,000
Earthquake	100,000,000	100,000
Commercial General Liability		
General Liability (per occurrence)	1,000,000	-
Employers Liability – Ohio Stop Gap	1,000,000	-
Employee Benefit Liability (aggregate)	3,000,000	1,000
General Aggregate	3,000,000	-
Damage to Property Rented by College	1,000,000	-
Automobile Liability	1,000,000	-
Excess Liability over Commercial General Liability and Automobile Liability	15,000,000	-
Educators Legal Liability incl. Directors and Officers Liability	1,000,000	10,000
Excess Liability over Directors and Officers Liability	15,000,000	-
Commercial Crime		
Employee Dishonesty	250,000	2,500
Forgery	250,000	2,500
Computer and Funds Transfer Fraud	250,000	2,500
Premises (theft, disappearance, destruction)	100,000	2,500
Cyber Technology-Related Coverage		
Network Security and Privacy Liability	1,000,000	25,000
Media Content Liability	1,000,000	25,000
Cyber Extortion	1,000,000	25,000
Network Interruption – Data and Business Interruption	1,000,000	25,000
Regulatory Action	1,000,000	25,000
Maximum Policy Annual Aggregate	1,000,000	-
Breach Response Services – Affected Persons	500,000	100

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Litigation

To management's knowledge, there were no lawsuits or claims pending against Eastern Gateway Community College at June 30, 2016. Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. College management believes disallowances, if any, will be immaterial.

Collaboration Agreement

The College entered into a Collaboration Agreement (the Agreement) with Higher Education Partners, LLC (HEP) on May 1, 2012, with an initial term of 20 years. HEP financially assisted the expansion of the College's academic and degree program offerings to the Valley Center campus in Youngstown, Ohio (the Facility). HEP is responsible for, without reimbursement from the College, the costs and expenses related to any construction, renovation, equipment, and repairs required to be made to the Facility in order for the Facility to be used for its intended educational purposes. The Agreement was extended to include the Warren location beginning January 2015.

The Agreement requires the College to pay HEP a 15 percent service fee (of net tuition and subsidy revenues) and reimburse HEP for direct expenses, including rental payments for the lease of the Facility, in any year that the net operating revenues generated at the Facility exceed the related direct expenses. When direct expenses at the Facility exceed the net operating revenues at the Facility, HEP is required to reimburse the College for an amount equal to the net operating loss, plus five percent of the operating expenses. The accumulated loss reimbursements, along with direct expenses of HEP and service fees not paid to HEP will be carried forward and paid back to HEP only if future net income is generated from the Facility, and such future payments will be limited to the actual net operating income. At June 30, 2016, $606,470 was included in other receivables for payments made in excess of actual net operating income and outstanding amounts due for equipment purchases of $263,361 and $337,215, respectively. The College also made prepayments of $182,541 to HEP to pay approximately one month of estimated net operating income less accounts receivable for fiscal year 2016

.

Partnership loss for fiscal year ended June 30, 2016 included:

Payments from HEP	$	0
Payments to HEP		(1,323,585)
	$	(1,323,585)

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT

1. DESCRIPTION OF ORGANIZATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

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

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

> *Unrestricted* – Net position is not subject to donor-imposed stipulations. This category includes net position designated by the Board.
>
> *Temporarily restricted* – Net position is subject to donor imposed stipulations that may, or will be met by actions of the Board/College and/or the passage of time.
>
> *Permanently restricted* – Net position is subject to donor-imposed stipulations that they be maintained permanently by the College.

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

Use of Estimates

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

Cash and Cash Equivalents

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

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments
Investments of the unrestricted, temporarily restricted, and permanently restricted funds are pooled for making investment transactions and are carried at fair value with any realized or unrealized gains and losses reported in the Statement of Revenues, Expenses and Changes in Net Position. Interest and dividend income, as well as realized and unrealized gains and losses, is allocated proportionally each month.

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

Subsequent Events
The Foundation has evaluated subsequent events through December 29, 2016 which is the date the financial statements were available to be issued and has determined that no reporting is necessary.

3. INVESTMENTS

Investments consisted of the following at June 30, 2016:

Equity mutual fund	$ 175,181
Fixed income	92,778
Real estate investment trusts	1,611
Other	11,951
	$ 281,521

4. FAIR VALUE MEASUREMENTS

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

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

4. FAIR VALUE MEASUREMENTS (continued)

The inputs are summarized in the three broad levels below:

Level 1 – quoted prices in active markets for identical investments

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

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

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

The following is the level within the fair value hierarchy as of June 30, 2016, in valuing the Foundation's investments carried at fair value:

	Level 1	Level 2	Level 3	Total
Equities	$ 175,181	$ -	$ -	$ 175,181
Fixed income	-	92,778	-	92,778
Real estate investment trusts	1,611	-	-	1,611
Other	11,951	-	-	11,951
	$ 188,743	$ 92,778	$ -	$ 281,521

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

5. ENDOWMENT FUND

Net Position Classification of Endowment Funds

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

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

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

5. ENDOWMENT FUND (continued)

Net Position Classification of Endowment Funds (continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence by the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

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

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

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. When donor endowment deficits exist, they are classified as a reduction of unrestricted net position. There were no deficits of this nature during fiscal year 2016.

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

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net position, beginning of year	$ 228,326	$ -	$ -	$ 228,326
Investment return:				
Interest and dividends	-	2,579	366	2,945
Net realized and unrealized gain	-	(5,746)	(816)	(6,562)
Interest and dividends	-	(3,167)	(450)	(3,617)
Cash contributions	15,625	-	-	15,625
Appropriations of endowment assets for expenditure	-	(1,300)	-	(1,300)
Reclassifications and transfer out	(25,241)	25,005	(4,846)	(5,082)
Endowment net position, end of year	$ 218,710	$ 20,538	$ (5,296)	$ 233,952

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

5. ENDOWMENT FUND (continued)

Return Objectives and Risk Parameters

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

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

Strategies Employed for Achieving Objectives

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

Spending Policy

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

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are those whose use by the Foundation has been limited by the donors to a specific time period or purpose. Temporarily restricted net assets are available for providing scholarships to the College's students, capital assets, and educational and general purposes. Temporarily restricted net assets available for scholarships, capital and educational and general purposes totaled $258,358, $69,469 and $15,307 at June 30, 2016, respectively. $23,583 of temporarily restricted net assets for scholarships and $10,067 of temporarily restricted net assets for educational and general purposes was appropriated for expenditure during the fiscal year 2016.

EASTERN GATEWAY COMMUNITY COLLEGE
Required Supplementary Information
Schedule of the College’s Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
For the Last 10 Fiscal Years (1)

	2015	2014	2013
College’s Proportion of the Net Pension Liability	0.0865083%	0.093054%	0.093054%
College’s Proportionate Share of the Net Pension Liability	$ 4,936,248	$ 4,709,410	$ 5,533,622
College’s Covered-Employee Payroll	$ 2,743,096	$ 2,907,686	$ 2,850,600
College’s Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	179.95%	161.96%	194.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

EASTERN GATEWAY COMMUNITY COLLEGE
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
For the Last 10 Fiscal Years (1)

	2015	2014	2013
College's Proportion of the Net Pension Liability	0.0578437%	0.057595%	0.057595%
College's Proportionate Share of the Net Pension Liability	$ 15,986,307	$ 14,009,163	$ 16,687,623
College's Covered-Employee Payroll	$ 6,064,386	$ 5,781,557	$ 5,954,508
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	263.61%	242.31%	280.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

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

	2016	2015	2014	2013	2012
Contractually-required contribution	$ 425,619	$ 361,540	$ 403,005	$ 394,523	$ 398,133
Contributions in relation to the contractually-required contribution	(425,619)	(361,540)	(403,005)	(394,523)	(398,133)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered-employee payroll	$ 3,040,136	$ 2,743,093	$ 2,907,686	$ 2,850,600	$ 2,960,097
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%	13.45%

	2011	2010	2009	2008	2007
Contractually-required contribution	$ 393,269	$ 358,651	$ 339,141	$ 323,764	$ 314,106
Contributions in relation to the contractually-required contribution	(393,269)	(358,651)	(339,141)	(323,764)	(314,106)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered-employee payroll	$ 3,128,632	$ 2,648,826	$ 3,446,555	$ 3,296,986	$ 2,941,067
Contributions as a percentage of covered-employee payroll	12.57%	13.54%	9.84%	9.82%	10.68%

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

	2016	2015	2014	2013	2012
Contractually-required contribution	$ 690,458	$ 849,014	$ 751,602	$ 774,086	$ 705,441
Contributions in relation to the contractually-required contribution	(690,458)	(849,014)	(751,602)	(774,086))	(705,441)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered-employee payroll	$ 4,931,843	$ 6,064,386	$ 5,781,557	$ 5,954,508	$ 5,426,469
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%

	2011	2010	2009	2008	2007
Contractually-required contribution	$ 614,470	$ 551,786	$ 509,171	$ 491,823	$ 515,369
Contributions in relation to the contractually-required contribution	(614,470)	(551,786)	(509,171)	(491,823)	(515,369)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered-employee payroll	$ 4,726,692	$ 4,244,508	$ 3,916,700	$ 3,783,254	$ 3,964,377
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%

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

Board of Trustees
Eastern Gateway Community College
Steubenville, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of Eastern Gateway Community College (the "College"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 29, 2016, wherein we noted that the College implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application.* These changes were incorporated in the College's 2016 financial statements; however, there was no effect on beginning net position.

Internal Control over Financial Reporting

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

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

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

C&P Advisors, LLC
Ciuni & Panichi, Inc.
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Compliance and Other Matters

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

Purpose of this Report

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

Ciuni + Panichi, Inc.

Cleveland, Ohio
December 29, 2016

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

Board of Trustees
Eastern Gateway Community College
Steubenville, Ohio

Report on Compliance for Each Major Federal Program

We have audited the Eastern Gateway Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2016. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Board of Trustees
Eastern Gateway Community College

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

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of the College as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated December 29, 2016, which contained unmodified opinions on those financial statements, wherein we noted that the College implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. These changes were incorporated in the College's 2016 financial statements; however, there was no effect on beginning net position. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Ciuni + Panichi, Inc.

Cleveland, Ohio
December 29, 2016

Eastern Gateway Community College

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Education			
Student Financial Aid Cluster:			
Federal Work-Study Program	84.033		$ 95,017
Federal Supplemental Educational Opportunity Grants	84.007		76,329
Federal Pell Grant Program	84.063		6,067,356
Federal Direct Student Loans	84.268		3,122,092
Total Student Financial Assistance Programs Cluster			9,360,794
TRIO Cluster			
TRIO Student Support Services	84.042		251,641
TRIO Upward Bound	84.047		226,229
TRIO Educational Opportunity Centers	84.066		229,090
Total TRIO Cluster			706,960
Passed Through the Ohio Department of Education:			
Tech Prep Education	84.243	VETP - 2004 15 FB	48,443
Adult Education - Basic Grants to States	84.002	AB S1-2004	124,480
Career and Technical Education - Basic Grants to States	84.048	VECP II 2004-521	50,964
Total passed through the Ohio Department of Education			223,887
Total Federal Assistance - U.S. Department of Education			10,291,641
U.S. Department of Labor			
WIA Cluster			
WIA Adult Program	17.258		34,995
TRADE ADJUSTMENT ASSISTANCE COMMUNITY COLLEGE AND CAREER TRAINING (TAACCCT) GRANTS	17.282		469,718
Passed through Lorain County Community College:			
TRADE ADJUSTMENT ASSISTANCE COMMUNITY COLLEGE AND CAREER TRAINING (TAACCCT) GRANTS	17.282	TC-26435-14-60-A-39	48,638
Total Federal Assistance - U.S. Department of Labor			553,351
Appalachian Regional Commission			
Appalachian Regional Development	23.001		10,433
Total Federal Assistance - Appalachian Regional Commission			10,433
U.S. Department of Health and Human Services			
Affordable Care Act (ACA) Health Profession Opportunity Grants	93.093	90FX0004/01	261,213
Total Federal Assistance - U.S. Department of Health and Human Services			261,213
Total Federal Assistance			**$ 11,116,638**

The accompanying notes are an integral part of this schedule.

Eastern Gateway Community College

Notes to the Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2016

Note 1: Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Eastern Gateway Community College (the "College") under programs of the federal government for the year ended June 30, 2016. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the College, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the College. Pass-through entity identifying numbers are presented where available.

Note 2: Federal Direct Student Loans

During the fiscal year ended June 30, 2016, the College processed new loans under the Federal Direct Student Loan Program. The amount shown in the accompanying schedule of expenditures of federal awards reflects the fiscal year amount certified by the College.

Note 3: Indirect Cost Rate

No indirect costs were charged to Federal grants; therefore, no indirect cost rate was established.

Eastern Gateway Community College

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2016

1. Summary of Auditor's Results

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

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

None noted.

3. Findings for Federal Awards

None noted.

Eastern Gateway Community College

Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2016

No prior audit findings noted.

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EASTERN GATEWAY COMMUNITY COLLEGE

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 31, 2017

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