

## **Edison State Community College**

Financial Statements

June 30, 2020 and 2019

with Independent Auditors' Report



**CLARK SCHAEFER HACKETT**  
CPAS & ADVISORS





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Board of Trustees  
Edison State Community College  
1973 Edison Drive  
Piqua, Ohio 45356

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

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

February 03, 2021

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## TABLE OF CONTENTS

Board of Trustees and Administrative Personnel.....	1
Independent Auditors' Report .....	2
Management's Discussion and Analysis.....	4
Financial Statements	
Statements of Net Position .....	16
Statements of Revenues, Expenses, and Changes in Net Position .....	17
Statements of Cash Flows.....	18
Notes to the Financial Statements.....	20
Required Supplementary Information	
Schedules of the College's Proportionate Share of the Net Pension Liability .....	55
Schedules of College Pension Contributions .....	57
Schedules of the College's Proportionate Share of the Net OPEB Liability (Asset) .....	59
Schedules of College OPEB Contributions .....	61
Supplemental Information	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> .....	63
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	65
Schedule of Expenditures of Federal Awards .....	67
Notes to the Schedule of Expenditures of Federal Awards.....	68
Schedule of Findings and Questioned Costs .....	69

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EDISON STATE COMMUNITY COLLEGE  
BOARD OF TRUSTEES AND ADMINISTRATIVE PERSONNEL  
June 30, 2020

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<b><u>Board of Trustees</u></b>	<b><u>Title</u></b>	<b><u>Term of Office</u></b>
Mrs. Tamara Baird Ganley	Chairman	2015-2021
Mrs. Marvella Fletcher	Vice Chairman	2019-2025
Mr. Thomas P. Milligan	Trustee	2017-2023
Dr. Philip E. Dubbs	Trustee	2015-2021
Mr. Gary V. Heitmeyer	Trustee	2015-2021
Mr. Darryl D. Mehaffie	Trustee	2017-2023
Mr. James C. Oda	Trustee	2017-2023
Mr. Gary J. Bensman	Trustee	2017-2023
Mrs. Elizabeth Simms Gutmann	Trustee	2018-2024

<b><u>College Administration</u></b>	<b><u>Title</u></b>
Dr. Doreen Larson	President
Mr. Chris Spradlin	Provost
Mr. John Shishoff	Vice President of Administration and Finance
Dr. Rick Hanes	Vice President of Business and Community Partnerships
Mr. Chad Beanblossom	Vice President of Regional Campuses
Mr. James Lehmkuhl	Controller
Ms. Christina Cummings	Director of Financial Aid

**Insurance**

All employees are insured through the Ohio Association of Community Colleges (OACC) Risk Management and Insurance Program for \$1,000,000. The effective date of the policy is November 1, 2019 to November 1, 2020.

**Legal Counsel**

Dave Yost, Ohio Attorney General  
Education Section  
30 E. Broad St., 16th Floor  
Columbus, OH 43215

**College Location**

1973 Edison Drive  
Piqua, Ohio 45356

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Edison State Community College  
Piqua, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Edison State Community College (the "College"), a component unit of the State of Ohio, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedules of the Board of Trustees and Administrative Personnel are presented for purpose of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
October 15, 2020

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2020 and 2019

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Edison State Community College's (the "College") financial statements provides an overview of the College's financial activities as of and for the years ended June 30, 2020 and 2019. Management has prepared the financial statements and the related disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with College management.

### Using This Report

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This Statement requires a comprehensive look at the entity as a whole and presents a long-term view of the entity's finances. In November 1999, the GASB issued Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, which applies these standards to public colleges and universities.

The standards require three basic financial statements: the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows.

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements in the above-referred format, notes to financial statements, required supplementary information, and supplemental information.

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

### Financial Highlights

In the fiscal year ended June 30, 2020, the College's expenses exceeded revenue and other support, creating a decrease in net position of \$112,969. Revenue increased from fiscal year 2019 due to an increase in Student tuition and fees, State appropriations, and Federal grants and contracts and operating expenses increased due to annual GASB 68 and 75 adjustments, as noted in the following analysis. In addition, the cash and short-term investment position of the College decreased by \$1,382,809.

### The Statements of Net Position and the Statements of Revenue, Expenses, and Changes in Net Position

One of the most important questions asked about the College's finances is whether the College, as a whole, is better off or worse off as a result of the year's activities. The Statements of Net Position and the Statements of Revenue, Expenses, and Changes in Net Position report information on the College as a whole and on its activities in a way that helps answer this question. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving or deteriorating. Other indicators of the College's overall health must also be considered. These include the trend and quality of applicants, class size, student retention, strength of faculty, condition of the buildings, and the safety of campus. All are necessary to assess the overall health of the College.

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2020 and 2019

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The College's financial position was stronger at June 30, 2019 than it was in the prior year. In fiscal year 2019, the College experienced an increase in tuition and fees, state funding, and support from the foundation. The College's financial position was lower at June 30, 2020 than it was in the prior year. In fiscal year 2020, the College experienced an increase in expenses mostly due to its annual adjustments posted to record the College's proportionate share of pension and other postemployment benefits (OPEB) expense.

The following is a summary of the major components of net position and operating results of the College as of and for the years ended June 30, 2020, 2019, and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 8,653,944	\$ 9,270,386	\$ 9,251,310
Noncurrent assets			
Capital assets - Net	18,959,830	17,905,205	16,201,162
Other	<u>1,350,116</u>	<u>1,605,808</u>	<u>1,334,133</u>
Total assets	<u>28,963,890</u>	<u>28,781,399</u>	<u>26,786,605</u>
Deferred outflows of resources			
OPEB costs	794,374	461,841	313,461
Pension costs	2,298,205	4,163,131	3,518,647
Loss on bond refunding	<u>104,556</u>	<u>120,851</u>	<u>137,145</u>
Total deferred outflows of resources	<u>3,197,135</u>	<u>4,745,823</u>	<u>3,969,253</u>
Current liabilities	2,157,572	2,851,109	1,737,023
Noncurrent liabilities	<u>18,238,873</u>	<u>19,778,231</u>	<u>18,404,945</u>
Total liabilities	<u>20,396,445</u>	<u>22,629,340</u>	<u>20,141,968</u>
Deferred inflows of resources			
OPEB costs	1,304,493	967,399	452,547
Pension costs	<u>1,973,126</u>	<u>1,330,553</u>	<u>2,076,831</u>
Total deferred inflows of resources	<u>3,277,619</u>	<u>2,297,952</u>	<u>2,529,378</u>
Net position			
Net investment in capital assets	17,436,749	16,150,062	14,218,954
Restricted - expendable	-	178,220	618,803
Unrestricted	<u>(8,949,788)</u>	<u>(7,728,352)</u>	<u>(6,753,245)</u>
Total net position	<u>\$ 8,486,961</u>	<u>\$ 8,599,930</u>	<u>\$ 8,084,512</u>

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EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2020 and 2019

	Years Ended June 30		
	2020	2019	2018
<b>Operating revenues</b>			
Student tuition and fees	\$ 8,424,120	\$ 8,055,609	\$ 7,791,554
Less grants and scholarships	<u>(3,288,617)</u>	<u>(3,316,527)</u>	<u>(3,409,770)</u>
Net student tuition and fees	5,135,503	4,739,082	4,381,784
Federal grants and contracts	328,336	255,208	168,220
State and local grants and contracts	172,714	71,861	85,127
Auxiliary activities	135,516	153,961	182,529
Other operating revenues	<u>91,438</u>	<u>77,136</u>	<u>115,207</u>
Total operating revenues	<u>5,863,507</u>	<u>5,297,248</u>	<u>4,932,867</u>
<b>Operating expenses</b>			
Educational and general instruction			
Instruction	7,053,029	5,560,349	6,286,913
Public service	443,819	497,522	424,279
Academic support	633,247	706,503	635,500
Student services	2,392,463	2,450,158	1,936,893
Institutional support	6,103,052	6,200,522	973,324
Plant operations and maintenance	1,445,447	1,583,195	1,412,928
Depreciation	1,118,008	1,018,706	1,025,830
Student aid	1,076,237	411,084	282,065
Auxiliary enterprises - bookstore	<u>7,770</u>	<u>8,639</u>	<u>8,232</u>
Total operating expenses	<u>20,273,072</u>	<u>18,436,678</u>	<u>12,985,964</u>
<b>Operating loss</b>	<u>(14,409,565)</u>	<u>(13,139,430)</u>	<u>(8,053,097)</u>
<b>Nonoperating revenues (expenses) and other revenues</b>			
Federal grants and contracts	3,851,707	3,173,593	3,326,454
State appropriations	8,291,363	8,160,018	7,917,253
Interest expense	(66,976)	(71,734)	(77,281)
Other nonoperating revenues	1,134,011	1,576,945	226,037
Capital grants	-	-	26,295
Capital appropriations	<u>1,086,491</u>	<u>816,026</u>	<u>867,561</u>
Total nonoperating revenues and other revenues	<u>14,296,596</u>	<u>13,654,848</u>	<u>12,286,319</u>
<b>Change in net position</b>	<u>\$ (112,969)</u>	<u>\$ 515,418</u>	<u>\$ 4,233,222</u>

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2020 and 2019

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### Operating Revenue

Operating revenue includes all revenue from exchange transactions such as tuition and fees, as well as income from sales of goods and services such as bookstore operations. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for service.

The following factors had a significant impact on the fiscal year 2020 operating revenue:

- Gross student tuition and fees increased by 4.6%, or \$368,511 due to an increase of College Credit Plus students of 11.5%. Net student tuition and fees increased by \$396,421, or 8.4%, due to an increase student tuition and fees and a decrease in indirect costs related to Federal Pell Grant awards (which are reported as a reduction in net student tuition and fees) of \$27,910, or 0.5% of net student tuition and fees. Note that decreases in indirect costs for Pell Grants are offset by similar decreases in revenues from Pell Grants, which are reported as nonoperating revenues from federal grants and contracts.

The following factors had a significant impact on the fiscal year 2019 operating revenue:

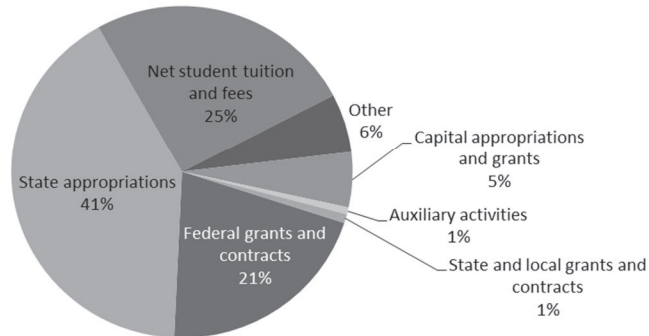
- Gross student tuition and fees increased by 3.4%, or \$264,055 due to an increase of College Credit Plus students of 21.4%. Net student tuition and fees increased by \$357,298, or 8.2%, due to an increase in indirect costs related to Federal Pell Grant awards (which are reported as a reduction in net student tuition and fees) of \$152,419, or 4.6% of net student tuition and fees. Note that decreases in indirect costs for Pell Grants are offset by similar decreases in revenues from Pell Grants, which are reported as nonoperating revenues from federal grants and contracts.

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2020 and 2019

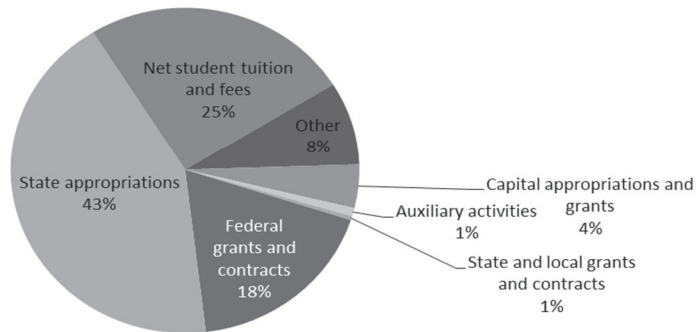
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The following is a graphic illustration of total revenue by source:

**2020 Sources of Revenues**



**2019 Sources of Revenues**



**Operating Expenses**

Operating expenses are all the costs necessary to perform and conduct the programs and functions of the College.

Fiscal year 2020 expenses were affected by the following:

- Instructional spending increased by \$1,492,680, or 26.8%, primarily due to annual adjustments posted to record pension and OPEB activity. The College's 2020 pension adjustment for STRS increased instructional expenses by \$215,183 and its 2020 OPEB adjustment decreased instructional expenses by \$195,234. In 2019, these same adjustments reduced instructional spending by a total of \$1,351,203.
- Student aid spending increased by \$665,153 or 161.8%, primarily due to CARES Act funding that was awarded directly to students from the Higher Education Emergency Relief Fund (HEERF).

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2020 and 2019

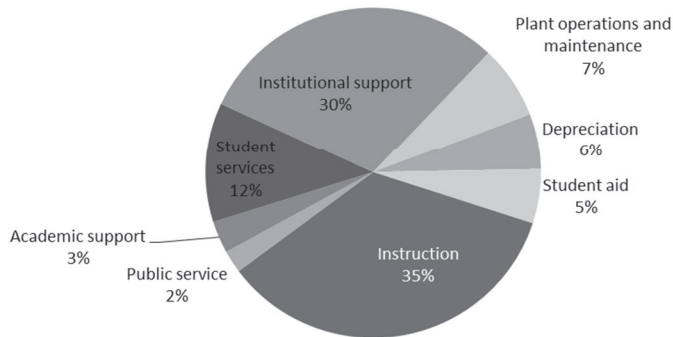
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Fiscal year 2019 expenses were affected by the following:

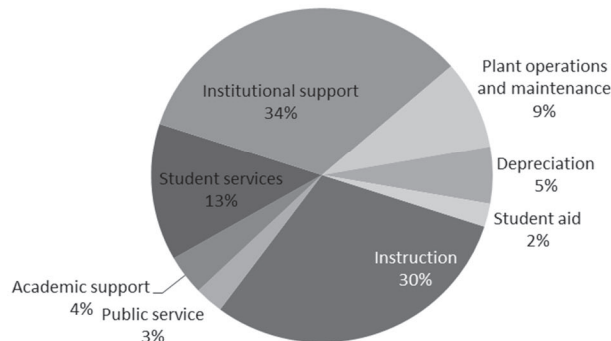
- Instructional spending decreased \$726,564, or 11.6%, primarily due to annual adjustments posted to record GASB 68 and 75 activity. The College's 2019 GASB 68 adjustment for STRS reduced instructional expenses by \$131,013 and its 2019 GASB 75 adjustment reduced instructional expenses by \$1,220,190.
- Student services spending increased \$513,265, or 26.5%, primarily due to increased personnel costs. These increases in personnel costs impacted all departments campus-wide, with the largest dollar increases occurring in the departments in which personnel costs constitute the largest portion of overall costs. In addition, GASB 68 OPERS and GASB 75 OPERS adjustments were allocated to all departments except instructional spending. The College's annual GASB STRS 68 and 75 adjustments were allocated to it.
- Institutional support spending increased \$5,227,198, or 537.0% primarily due to annual adjustments posted to record GASB 68 and 75 activity. The College's 2019 GASB 68 and GASB 75 adjustments for OPERS increased from the 2018 GASB 68 and 75 adjustments by \$4,366,237 and \$384,294, respectively. In 2019, these adjustments were allocated to public service, academic support, student services, institutional support, and plant and operations and maintenance as opposed to just being recorded as an institutional support adjustment. This has resulted in a significant change in institutional support spending due to the large reduction recorded in 2018.

The following is a graphic illustration of total expenses by function:

**2020 Sources of Expenses**



**2019 Sources of Expenses**





### **Nonoperating Revenues and Other Changes**

Nonoperating revenues are all revenue sources that are primarily non-exchange in nature and consist primarily of revenue from state appropriations and certain federal grants and contracts.

Fiscal year 2020 nonoperating revenues and other changes were significantly affected by the following factors:

- Federal grants and contacts increased by 21.37%, or \$678,114 primarily due to an increase in federal funding received as a result of the Coronavirus Aid, Relief, and Economic Security (CARES) Act which established and funded the Higher Education Emergency Relief Fund (HEERF) and Coronavirus Relief Fund (CRF) to assist colleges and universities during the COVID-19 Global Pandemic, including funding awarded directly to students.
- Gifts decreased \$438,526, or 29.7%, from fiscal year 2019 to fiscal year 2020 due to a decrease in revenue from the College Foundation corresponding to the construction of the Robinson Career Center completed in 2019.

Fiscal year 2019 nonoperating revenues and other changes were significantly affected by the following factors:

- State appropriations increased \$242,765, or 3.1%, from fiscal year 2018 to fiscal year 2019 due to an increase in its share of State of Ohio funding designated for community colleges.
- Gifts increased \$1,306,749, or 770.6%, from fiscal year 2018 to fiscal year 2019 due to an increase in revenue from the College Foundation corresponding to the construction of the Robinson Career Center.

### **Statement of Cash Flows**

Another way to assess the financial health of the College is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the entity during a period. The statement of cash flows also helps users assess:

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

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2020 and 2019

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**Cash Flows for the Years Ended June 30, 2020, 2019, and 2018**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash (used in) provided by:			
Operating activities	\$ (13,335,047)	\$ (11,442,580)	\$ (10,671,708)
Noncapital financing activities	12,980,686	12,827,265	11,360,986
Capital and related financing activities	(1,394,682)	(2,205,676)	(481,739)
Investing activities	<u>295,621</u>	<u>309,327</u>	<u>(435,364)</u>
Net decrease in cash and cash equivalents	(1,453,422)	(511,664)	(227,825)
Cash and cash equivalents - beginning of year	<u>3,828,543</u>	<u>4,340,207</u>	<u>4,568,032</u>
Cash and cash equivalents - end of year	<u>\$ 2,375,121</u>	<u>\$ 3,828,543</u>	<u>\$ 4,340,207</u>

The College's cash position decreased by \$1,453,422 in fiscal year 2020. The cash balance decreased primarily due to fluctuations in short term, operational asset and liability accounts.

The College's cash position decreased by \$511,664 in fiscal year 2019. The cash balance decreased primarily due to fluctuations in short term, operational asset and liability accounts.

**Capital Assets**

As of June 30, 2020, the College had approximately \$40.4 million in capital assets, less accumulated depreciation of \$21.4 million, for a net of \$19.0 million invested. Depreciation charges totaled approximately \$1.1 million for the current fiscal year and \$1.0 million for fiscal years 2019 and 2018.

The net book value of capital assets at June 30, 2020, 2019, and 2018 is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 2,159,560	\$ 1,397,948	\$ 1,441,691
Building and improvements	8,175,502	5,434,649	5,286,283
Student conference center	2,206,687	2,319,851	2,433,014
Center for Excellence	5,045,125	5,203,758	5,362,392
Equipment	1,276,203	1,141,961	868,953
Internally developed software	-	34,058	79,469
Construction in progress	<u>96,753</u>	<u>2,372,980</u>	<u>729,360</u>
Total	<u>\$ 18,959,830</u>	<u>\$ 17,905,205</u>	<u>\$ 16,201,162</u>

### **Net OPEB Liability**

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)*, the College is required to recognize its proportionate share of the net OPEB asset or liability and to more comprehensively measure the annual costs of its post employment benefits other than pensions related to its participation in the Ohio Public Employee Retirement System (OPERS) or State Teachers Retirement Systems (STRS). At June 30, 2020, the College recognized a net OPEB liability of \$3,710,782 and a net OPEB asset of \$567,362. In addition, the College recognized deferred inflows of resources of \$1,304,493 and deferred outflows of resources of \$794,374 at June 30, 2020. See Note 9 to the financial statements for more detailed information on OPEB plans.

### **Net Pension Liability**

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the College is required to recognize its proportionate share of the net pension liability and to more comprehensively measure the annual costs of pension benefits. At June 30, 2020, the College recognized a net pension liability of \$12,705,503. In addition, the College recognized deferred inflows of resources of \$1,973,126 and deferred outflows of resources of \$2,298,205 at June 30, 2020. See Note 8 to the financial statements for more detailed information on pensions.

### **Long-Term Debt**

The College currently has series 2014 refunding bonds that bear interest rates from 1% to 3.5% and mature through fiscal year 2027. Scheduled interest and principal payments have been made on the bonds. The College's bonds are currently rated "Aa2" by Moody's through the State Credit Enhancement Program.

For more detailed information on current outstanding debt and the refunding of the aforementioned bonds in fiscal year 2020, see Note 5 to the financial statements.

### **Economic Factors and Future Years' Budgets**

Edison State Community College remains committed to student success and community collaboration, with the goal of being the premier resource for higher education and workforce development in the region. Our strategic master plan is focused on achieving this goal by implementing strategies:

- To better understand our student and stakeholder needs.
- To obtain the physical and instructional resources necessary to enhance student learning and program completion, thereby meeting those needs.
- To continue to engage and value our faculty and staff, who expertly deploy those resources in ways that assure student success and enhance the communities we serve.
- To accomplish all of this in an environment of continuous improvement and fiscal sustainability.

**Edison State has been, and will continue to be, subject to the same demographic, economic and policy issues as virtually all other colleges and universities in the higher education system of Ohio:**

- **Demographics:** The number of traditional college age Ohio students (those graduating from high school) has been declining for some time. Additionally, as the economy improved, older students, rejoined the work force and are taking fewer or no degree classes, although many are taking job related certificate courses. The number of high school College Credit Plus (CCP) continues to increase, both in terms of the number of high schools and high school students taking classes for college credit.
  - **Economics:** Traditional enrollment increased dramatically during the recession, but has decreased as the economy and job availability has improved. Additionally, as the number of high school graduates, "traditional" students paying at the normal tuition rate, has declined, there has been an increase in the number of current high school students taking college classes, both in the high school and at Edison State, at a much reduced reimbursement rate.
  - **Policy:** In an effort to change the focus of the State Share of Instruction (SSI) formula from an emphasis on enrollment to an emphasis on completion, a new funding model was implemented in FY 2015. Due to the College's focus on increasing student success and completion, Edison State received increases in SSI funding under the new formula in all years since FY 2018 due to our emphasis on student completion and success. With additional emphasis on auto-awarding earned certificates, review of funding levels for all courses, and other program efficiencies, we increased our SSI funding in FY 2020 and expect the same result in FY 2021. Edison State is represented on the various committees working to monitor and update the formula, and as noted above, continues working on strategies to increase student completion and success.
  - **Policy:** The Ohio Department of Higher Education (ODHE) and the Office of Budget Management have both emphasized operational efficiencies through shared services and other collaborative arrangements. Edison State currently participates in a collaborative property and liability insurance buying program and has joined a new health consortium with four other community colleges with the goal of decreasing health care costs. Edison State is also represented on the ODHE's Efficiency Committee. In addition, Edison State continues to take action to "right size" the college in light of enrollment trends, reducing the FY16 budget by \$1.3 Million. This baseline was proportionally maintained in FY 2019 and FY 2020 as we adjust for enrollment changes in order to maintain the fiscal integrity of the institution.
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EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2020 and 2019

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- **Safety & Security:** Edison State continues our emphasis on campus safety, security, and emergency processes and procedures in light of active shooter incidents, natural disasters, and the impact of the Covid-19 virus. Edison State has policies and procedures in place and we continue to review them in light of new information and requirements. These include ongoing active shooter training and investing more than \$1.5 million in capital security projects, including an upgraded one-lock systems, better and more security cameras, and upgraded audio speakers throughout the college. Edison State recently also established a College Police Department with a cadre of full-time armed police officers and unarmed part-time officers, as well as administrative support personnel.
- **Safety & Security – Covid-19 Response:** Edison State developed and implemented a comprehensive plan to insure the health and safety of our students, faculty and administrators. The plan is a living document that has gone through - and continues to go through - a number of rewrites, additions, and deletions as circumstances dictate. The planning allowed Edison State to safely stay open and operational throughout the summer and offer normal fall classes online - and on campus for classes that require hands-on education. We believe this planning contributed to Edison State being one of the few community colleges to report increased enrollment for the Fall 2020 semester.

**Edison State Community College also has several opportunities that should positively impact our future financial position:**

- Additional new academic programs to meet the demands of business, health care and others including aviation pilots, emergency medical technicians (EMTs), and veterinary technicians; as well as exploring areas such as new media, dental assisting and aircraft mechanic programs.
- Work Force Training and Education Demand: Edison State currently supports work force training, employee development, and education (some of which also includes for-credit course delivery) for a number of manufacturers in our region. Many of these firms have told us that their need for new employees is double the number of our engineering technologies and computer information technologies graduates, indicating that they have more current and future job opportunities than we can currently supply.
- Underserved Constituency: The percentage of residents with college degrees in all three of the Ohio counties we serve continue to be below the state average in terms of education and per capita income. This represents a potential market. Our current strategies are attempting to change perceptions, especially the perceptions of high tech, well paid manufacturing jobs.
- Increased emphasis on grant and other funding sources. Edison State has been successful in receiving a number of educational grants such as Strong Start to Finish, RAPIDS, Tech Prep and others. Our largest success, so far, is a \$2.5 million gift to build a new Student Career Center. Construction started in FY 2019 and the Center was finished in September, FY 2020.
- Energy Savings: Edison State has been able to decrease our energy cost through energy saving investments, including replacing CFL lighting with more efficient LED bulbs, negotiating future energy contracts at less cost, and replacing old chillers with chillers that are much more efficient.
- Increased Tuition: Community Colleges in Ohio were permitted to increase tuition by \$5 per credit hour in FY 2020 and an additional \$5 per credit hour in FY 2021.

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2020 and 2019

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**Edison's future forecast.**

- **Fiscal Year 2021:** FY 2020 was an investment year for Edison State Community College, setting the stage and completing opening two new branch campuses.

The first is located in Troy, Ohio, next to a new Dayton Children's Hospital facility. The location for the hospital's new facility was selected due to our decision to open the new Troy campus, which is dedicated primarily to our medical and nursing programs. In addition to Dayton Children's, the campus will serve several other nearby medical facilities. Additionally, Franklin University is partnering with Edison State to offer general education night classes in the facility and cover a portion of the facilities operational costs. The second new branch campus is in Eaton, Ohio and actually opened in FY 2019. This facility was offered to us at minimum cost due to another college leaving the facility. We are now partnering with Central State University as they use a part of the facilities for their Extension Services, after being recognized as a Land-Grant University. At this time, we are offering general education and workforce development classes.

With the increased costs of the new endeavors, we expected the College's FY 2020 financial performance to be somewhat tighter than it was in FY 2019. However, in FY 2020, offsetting the costs were increased numbers of College Credit Plus students. We expect this to continue in FY 2021. We also expect a decrease or at worst a stable cost in health care costs, only modest increases in faculty and staff pay in FY 2021, increases in grants, increased workforce development training and at increased student enrollment, especially continuing increases in the number of College Credit Plus students.

- **Fiscal Year 2022:** Forecasting an additional year in advance is always difficult. However, we now expect FY 2022 financial results to be stronger than our current estimates for FY 2021. We expect the College to continue its success in maintaining traditional and CCP enrollment, while not sacrificing our efforts to ensure student completion and success. The SSI funding model is based on the average results from the previous three fiscal years; therefore, we do not expect a significant shift in state SSI funding from FY 2021 to FY 2023. We also expect to continue the increase in grants, certificate programs, and workforce training programs in FY 2021, as companies in the region to strive to fill job vacancies with appropriately qualified personnel and upgrade the skills of current employees. Finally, as we have in the past few years, we will maintain the currently reduced budget baseline as much as possible in order to insure the fiscal integrity of the college.

EDISON STATE COMMUNITY COLLEGE  
STATEMENTS OF NET POSITION  
June 30, 2020 and 2019

	College 2020	College 2019	College Related Foundation 2020	College Related Foundation 2019
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 2,375,121	\$ 3,828,543	\$ 587,228	\$ 1,420,763
Investments	3,230,311	3,159,698	-	-
Accounts and pledges receivable (net)	2,938,342	2,176,796	7,677	5,910
Prepaid expenses and other	107,336	102,699	3,715	5,478
Inventories	2,834	2,650	-	-
Total current assets	<u>8,653,944</u>	<u>9,270,386</u>	<u>598,620</u>	<u>1,432,151</u>
<b>Noncurrent Assets</b>				
Restricted investments	782,754	1,052,767	-	-
Investments	-	-	2,470,973	2,266,096
Net OPEB asset	567,362	553,041	-	-
Capital assets, not being depreciated	781,207	3,057,434	-	-
Capital assets, net of depreciation	18,178,623	14,847,771	-	-
Total noncurrent assets	<u>20,309,946</u>	<u>19,511,013</u>	<u>2,470,973</u>	<u>2,266,096</u>
Total assets	<u>28,963,890</u>	<u>28,781,399</u>	<u>3,069,593</u>	<u>3,698,247</u>
<b>Deferred Outflows of Resources</b>				
OPEB	794,374	461,841	-	-
Pension	2,298,205	4,163,131	-	-
Loss on bond refunding	104,556	120,851	-	-
Total deferred outflows of resources	<u>3,197,135</u>	<u>4,745,823</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable and accruals	329,379	1,072,130	236,855	92,763
Accrued salaries, wages, and benefits	921,185	806,062	-	-
Unearned revenues	662,008	732,917	-	-
Long-term debt, current	245,000	240,000	-	-
Total current liabilities	<u>2,157,572</u>	<u>2,851,109</u>	<u>236,855</u>	<u>92,763</u>
<b>Noncurrent Liabilities</b>				
Accrued compensated absences	153,952	136,534	-	-
Net OPEB liability	3,710,782	3,347,904	-	-
Net pension liability	12,705,503	14,371,798	-	-
Long-term debt	1,668,636	1,921,995	-	-
Total noncurrent liabilities	<u>18,238,873</u>	<u>19,778,231</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>20,396,445</u>	<u>22,629,340</u>	<u>236,855</u>	<u>92,763</u>
<b>Deferred Inflows of Resources</b>				
OPEB	1,304,493	967,399	-	-
Pension	1,973,126	1,330,553	-	-
Total deferred inflows of resources	<u>3,277,619</u>	<u>2,297,952</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	17,436,749	16,150,062	-	-
Restricted - expendable	-	178,220	1,428,842	2,118,112
Restricted - nonexpendable	-	-	211,759	211,759
Unrestricted	(8,949,788)	(7,728,352)	1,192,137	1,275,613
Total net position	<u>\$ 8,486,961</u>	<u>\$ 8,599,930</u>	<u>\$ 2,832,738</u>	<u>\$ 3,605,484</u>

See Notes to Financial Statements

EDISON STATE COMMUNITY COLLEGE  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
Years Ended June 30, 2020 and 2019

	College 2020	College 2019	College Related Foundation 2020	College Related Foundation 2019
<b>Operating revenues</b>				
Student tuition and fees	\$ 8,424,120	\$ 8,055,609	\$ -	\$ -
Less grants and scholarships	<u>(3,288,617)</u>	<u>(3,316,527)</u>	-	-
Net student tuition and fees	5,135,503	4,739,082	-	-
Federal grants and contracts	328,336	255,208	-	-
State and local grants and contracts	172,714	71,861	-	-
Auxiliary enterprises - bookstore	135,516	153,961	-	-
Contributions	-	-	433,546	405,123
Other operating revenue	<u>91,438</u>	<u>77,136</u>	-	-
Total operating revenues	<u>5,863,507</u>	<u>5,297,248</u>	<u>433,546</u>	<u>405,123</u>
<b>Operating expenses</b>				
Instruction	7,053,029	5,560,349	-	-
Public service	443,819	497,522	-	-
Academic support	633,247	706,503	-	-
Student services	2,392,463	2,450,158	-	-
Institutional support	6,103,052	6,200,522	1,240,781	1,668,101
Plant operations and maintenance	1,445,447	1,583,195	-	-
Depreciation and amortization	1,118,008	1,018,706	-	-
Student aid	1,076,237	411,084	-	-
Auxiliary enterprises	<u>7,770</u>	<u>8,639</u>	-	-
Total operating expenses	<u>20,273,072</u>	<u>18,436,678</u>	<u>1,240,781</u>	<u>1,668,101</u>
Operating loss	<u>(14,409,565)</u>	<u>(13,139,430)</u>	<u>(807,235)</u>	<u>(1,262,978)</u>
<b>Nonoperating revenues (expenses)</b>				
Federal grants and contracts	3,851,707	3,173,593	-	-
State appropriations	8,291,363	8,160,018	-	-
Gifts	1,037,790	1,476,316	-	-
Investment income, net of expense	96,221	100,391	34,489	253,453
Interest expense	(66,976)	(71,734)	-	-
Gain on sale of capital assets	<u>-</u>	<u>238</u>	-	-
Total nonoperating revenues (expenses)	<u>13,210,105</u>	<u>12,838,822</u>	<u>34,489</u>	<u>253,453</u>
Loss before other changes	<u>(1,199,460)</u>	<u>(300,608)</u>	<u>(772,746)</u>	<u>(1,009,525)</u>
<b>Other changes</b>				
Capital appropriations	<u>1,086,491</u>	<u>816,026</u>	-	-
Total other changes	<u>1,086,491</u>	<u>816,026</u>	-	-
Change in net position	(112,969)	515,418	(772,746)	(1,009,525)
Net position at beginning of year	<u>8,599,930</u>	<u>8,084,512</u>	<u>3,605,484</u>	<u>4,615,009</u>
Net position at end of year	<u>\$ 8,486,961</u>	<u>\$ 8,599,930</u>	<u>\$ 2,832,738</u>	<u>\$ 3,605,484</u>



EDISON STATE COMMUNITY COLLEGE  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2020 and 2019

	2020	2019
<b>Cash flows from operating activities</b>		
Student tuition and fees	\$ 4,526,694	\$ 4,308,636
Grants and contracts	477,578	476,025
Payments to vendors and employees	(18,566,273)	(16,458,338)
Auxiliary enterprises	135,516	153,961
Other receipts	91,438	77,136
Net cash used in operating activities	(13,335,047)	(11,442,580)
<b>Cash flows from noncapital financing activities</b>		
State appropriations	8,291,363	8,160,018
Federal grants and contracts	3,651,533	3,190,931
Gifts	1,037,790	1,476,316
Net cash from noncapital financing activities	12,980,686	12,827,265
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	(1,095,242)	(1,906,723)
Proceeds from sale of capital assets	-	238
Interest paid on outstanding debt	(59,440)	(55,832)
Principal paid on outstanding debt	(240,000)	(243,359)
Net cash used in capital and related financing activities	(1,394,682)	(2,205,676)
<b>Cash flows from investing activities</b>		
Proceeds from maturities of investments	3,044,518	3,428,675
Purchase of investments	(2,755,185)	(3,129,030)
Interest on investments	6,288	9,682
Net cash from investing activities	295,621	309,327
Net decrease in cash and cash equivalents	(1,453,422)	(511,664)
Cash and cash equivalents, beginning of year	3,828,543	4,340,207
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,375,121</b>	<b>\$ 3,828,543</b>

(continued)

EDISON STATE COMMUNITY COLLEGE  
STATEMENTS OF CASH FLOWS (CONTINUED)  
Years Ended June 30, 2020 and 2019

	2020	2019
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (14,409,565)	\$ (13,139,430)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,118,008	1,018,706
Other miscellaneous adjustments	9,100	-
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivable	(561,372)	(458,224)
Inventories	(184)	1,169
Prepaid expenses and other	(4,637)	(18,593)
Net OPEB asset	(14,321)	(553,041)
Deferred outflows of resources - pension/OPEB	1,532,393	(792,864)
Accounts payable and accruals	(742,351)	897,142
Accrued salaries, wages, and benefits	132,541	(8,954)
Net OPEB liability	362,878	(646,390)
Net pension liability	(1,666,295)	2,312,591
Deferred inflows of resources - pension/OPEB	979,667	(231,426)
Unearned revenues	(70,909)	176,734
Net cash used in operating activities	\$ (13,335,047)	\$ (11,442,580)

**Noncash capital and related financing activities:**

During the years ended June 30, 2020 and 2019, the College acquired \$1,077,391 and \$816,026, respectively, in capital assets that were funded through State Capital Appropriations. Additionally, the College received \$9,100 of State Capital Appropriations that did not meet the College's capitalization threshold. The College received no cash for these appropriations and made no cash payments to vendors as the State of Ohio made payments directly to vendors.

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity: Edison State Community College (the "College") was chartered in 1973 under provisions of the Ohio Revised Code as the first State General and Technical College in Ohio. The College thus emerged without special local taxation as a two-year, public, co-educational, state-supported institution of higher learning. The College is exempt from federal income taxes pursuant to provisions of Section 115 of the Internal Revenue Code. Under its charter, the College is authorized to offer studies in the Arts and Sciences, Technical Education, and Adult Technical Education. The College, which is a component unit of the State of Ohio, is governed by a nine-member Board of Trustees. These members are appointed by the Governor of the State of Ohio.

Accrual Accounting: The accompanying financial statements have been prepared on the full accrual basis of accounting, whereby revenue is recognized in the period earned, or in the case of advances from other governments, when all eligibility requirements are met in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Expenditures are recognized when the related liabilities are incurred.

Financial Statements: The College reports as "business-type activities," as defined by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The College has determined that the Edison Foundation, Inc. is a component unit of the College. The financial activity of the Foundation is included through a discrete presentation as part of the College's financial statements. The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Net Position Classifications: The College's resources are classified into the following net asset categories:

*Net investment in Capital Assets*. Capitalized physical assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

*Restricted - Expendable*. Assets related to grants, contributions, and contracts activity, whose use is subject to externally imposed restrictions.

*Restricted - Nonexpendable*. Net assets represent endowment contributions from donors that are permanently restricted as to principal.

*Unrestricted*. Net assets that are not subject to externally imposed restrictions. Unrestricted net assets may be designated for specific purposes by the Board of Trustees. Substantially all of the College's unrestricted assets are designated for future uses or contingencies.

Operating Versus Nonoperating Revenues and Expenses: The College defines operating activities as reported on the statements of revenues, expenses, and changes in net position as those that generally result from exchange transactions such as payments received for providing goods or services and payments made for goods or services received. All of the College's expenses are from exchange transactions. Certain significant revenue streams relied on for operations as well as Pell grants, which are included in nonoperating federal grants and contracts on the statements of revenues, expenses, and changes in net position, are reported as non-operating revenue as required by GASB Statement No. 35 and updates in the GASB's *Implementation Guide*, including state appropriations, investment income, and Pell Grants.

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Cash and Cash Equivalents: For the purpose of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash, STAR Ohio and money market funds, stated at cost, which approximates fair value. All certificates of deposit are included in investments on the statements of net position.

Accounts Receivable: Accounts receivable primarily consist of tuition and fees charged to students. Accounts receivable also include amounts due from federal government, 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. Allowance is determined based on historical analysis.

Unearned Revenue: Unearned revenue consists of the unearned portion of student tuition and fees for the summer session, and all of the recorded student tuition and fees collected resulting from early registration for the fall session. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

Investments: The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenue, expenses, and changes in net position.

The restricted investments on the statement of net position consist of Capital Campaign funds that are to be used toward the debt service payments on the Series 2014 bonds. These funds were raised by the Edison Foundation and transferred to the College to be held until used for debt service.

Capital Assets: Capital assets are recorded at cost or, if acquired by gift, at acquisition value at the date of the gift. When capital assets are sold or otherwise disposed of, the net carrying value of such assets is removed from the accounts and the net investment in capital assets component of net position is adjusted accordingly. Capital assets, with the exception of land and construction in progress, are depreciated on the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Student conference center	3 - 45 years
Center for excellence	45 years
Internally developed software	5 years
Equipment and fixtures	3 - 20 years

The College's capitalization limit for equipment and furniture and fixtures is \$5,000.

Grants and Scholarships: Student tuition and fees and bookstore revenue are presented net of grants and scholarships applied directly to student accounts. Grants and scholarships consist primarily of awards to students from the Federal Pell Grant Program. Payments made directly to students from grants and scholarships are presented as student aid.

Compensated Absences: Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. In accordance with the applicable accounting standards, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for an estimate of the amount of accumulated sick leave benefits that will be paid.

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Pensions/Other Postemployment Benefits (OPEB): For purposes of measuring the net pension/OPEB asset, liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the Ohio Public Employees Retirement System and State Teachers Retirement System of Ohio plans (“OPERS” and “STRS”, respectively) and additions to/deductions from OPERS and STRS fiduciary net position have been determined on the same basis as they are reported by OPERS and STRS. OPERS and STRS use the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. For this purpose, benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. The retirement systems report investments at fair value.

Deferred Outflows/Inflows of Resources: In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the College, deferred outflows of resources are reported on the statement of net position for deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 8 and 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the College, deferred inflows of resources include pension and OPEB and are reported on the statement of net position. (See Notes 8 and 9)

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Standards: For the fiscal year ended June 30, 2020, the College implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by extending the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. This statement had no effect on beginning net position/fund balance.

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Upcoming Accounting Pronouncements: GASB Statement No. 87, *Leases*, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of GASB Statement No. 87 are effective for fiscal year 2022. The College is currently evaluating the impact GASB Statement No. 87 may have on its financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued to enhance the relevance and comparability of information about capital assets and the costs of borrowing for a period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB Statement No. 89 are effective for fiscal year 2022. The College is currently evaluating the impact GASB Statement No. 89 may have on its financial statements.

GASB Statement No. 90, *Majority Equity Interests—an Amendment of GASB Statement No. 14 and No. 61*, was issued to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of GASB Statement No. 90 are effective for fiscal year 2021. The College is currently evaluating the impact GASB Statement No. 90 may have on its financial statements.

**NOTE 2 - CASH AND INVESTMENTS**

The College's Board of Trustees is responsible for establishing deposit and investment policies. Once established, the Board has delegated the day-to-day management to the Controller of the College. Deposit and investment policies are developed to ensure compliance with state laws and regulations as well as to establish and maintain sound financial management practices. In accordance with the State of Ohio's and the College's policy, the College is authorized to invest cash in certificates of deposit, repurchase agreements, United States Treasury securities, federal government agency securities backed by the full faith of the government, municipal securities, and the State Treasurer's investment pool.

Cash and Cash Equivalents: Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. By Ohio law, financial institutions must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). Eligible securities must be pledged to the College and deposited with a qualified trustee as security for repayment whose market value at all time shall be at least 105% of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value to be 102% of the deposits being secured or a rate set by the Treasurer of State.

At June 30, 2020 and 2019, the carrying amount of the College's cash and cash equivalents was \$2,375,121 and \$3,828,543, respectively, (included in cash and cash equivalents in the statements of net position) and the bank balances were \$2,659,778 and \$4,759,796, respectively, that are placed with federally insured banks. Of the June 30, 2020 and 2019 bank balances, \$568,940 and \$572,693, respectively, are covered by federal deposit insurance. The remaining balances of cash and cash equivalents are collateralized by the depository institution per Ohio Revised Code 135.182 or by a pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State (OPCS program).

EDISON STATE COMMUNITY COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 Years Ended June 30, 2020 and 2019

**NOTE 2 - CASH AND INVESTMENTS** (Continued)

Also included in cash and cash equivalents are \$13,076 and \$12,861 at June 30, 2020 and 2019, respectively, which were on deposit in the State Treasurer's investment pool (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The College measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Investments: Investments are stated at their fair value of \$4,013,065 and \$4,212,465 at June 30, 2020 and 2019, respectively, and are invested in certificates of deposit covered by federal depository insurance as well as a money market fund which was rated AAAM by Standard and Poors.

The fair value and cost of deposits and investments, by type, at June 30, 2020 and 2019 are as follows:

	2020	2019
Cash	\$ 2,362,045	\$ 3,815,682
STAR Ohio	13,076	12,861
Certificates of deposit	782,754	1,052,767
Money Market Fund	3,230,311	3,159,698
Total	\$ 6,388,186	\$ 8,041,008

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The College's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The following tables present information about the College's assets measured at fair value on a recurring basis at June 30, 2020 and 2019 and the valuation techniques used by the College to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value. The College has investments that are valued using Level 1 inputs, which are obtained directly from investment statements prepared by the institution holding the investments.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets or non-active markets (markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which there is little information released to the public). An example of a Level 2 input would be a price quote from a brokered market.

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**NOTE 2 - CASH AND INVESTMENTS** (Continued)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. However, the fair value measurement objective remains the same as it would for Level 1 and 2 inputs, in that it is based on an exit price from the perspective of a market participant that holds the asset or liability. In addition, Level 3 inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

		Fair Value Measurements at June 30, 2020		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:	Certificates of Deposit	\$ 782,754	\$ -	\$ -
	Money Market Fund	3,230,311	-	-
	Total	\$ 4,013,065	\$ -	\$ -

		Fair Value Measurements at June 30, 2019		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:	Certificates of Deposit	\$ 1,052,767	\$ -	\$ -
	Money Market Fund	3,159,698	-	-
	Total	\$ 4,212,465	\$ -	\$ -

Net realized and unrealized gains on investments were \$96,221 and \$100,391 for the years ended June 30, 2020 and 2019, respectively. There were no capital gains distributions in either year.

The investments in STAR Ohio are measured at the net asset value (NAV) per share provided by STAR Ohio; therefore, they are not included in the tables above. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.



EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**NOTE 3 - ACCOUNTS RECEIVABLE**

Receivables at June 30, 2020 and 2019 consist of billings for student fees and receivables arising from grants and are summarized as follows:

	2020	2019
Student charges	\$ 887,685	\$ 902,189
College Credit Plus program	1,289,275	922,264
Federal grants and contracts	536,449	330,397
Other	721,755	668,898
Allowance for doubtful accounts	(496,822)	(646,952)
Total	\$ 2,938,342	\$ 2,176,796

**NOTE 4 - CAPITAL ASSETS**

The following is a summary of changes in the capital assets and related accumulated depreciation during the 2020 and 2019 fiscal years:

	Balance June 30, 2019	Additions	Retirements/ Completed CIP	Balance June 30, 2020
Nondepreciable capital assets:				
Land	\$ 684,454	\$ -	\$ -	\$ 684,454
Construction in progress	2,372,980	31,959	(2,308,186)	96,753
Total nondepreciable capital assets	3,057,434	31,959	(2,308,186)	781,207
Depreciable capital assets:				
Land improvements	1,443,932	831,813	-	2,275,745
Buildings and improvements	15,608,620	3,169,803	-	18,778,423
Student conference center	6,202,987	-	-	6,202,987
Center for Excellence	7,138,503	-	-	7,138,503
Equipment	4,531,957	447,244	(16,230)	4,962,971
Internally developed software	227,055	-	-	227,055
Total depreciable capital assets	35,153,054	4,448,860	(16,230)	39,585,684
Less accumulated depreciation:				
Land improvements	730,438	70,201	-	800,639
Buildings and improvements	10,173,971	428,950	-	10,602,921
Student conference center	3,883,136	113,164	-	3,996,300
Center for Excellence	1,934,745	158,633	-	2,093,378
Equipment	3,389,996	313,002	(16,230)	3,686,768
Internally developed software	192,997	34,058	-	227,055
Total accumulated depreciation	20,305,283	1,118,008	(16,230)	21,407,061
Total depreciable capital assets - net	14,847,771	3,330,852	-	18,178,623
Capital assets - Net	\$ 17,905,205	\$ 3,362,811	\$ (2,308,186)	\$ 18,959,830

Construction in progress represents the cost of work performed on the College's South Hall, PA system upgrade, exterior door replacement project, and various room renovations through June 30, 2020, including amounts invoiced but not yet paid. Remaining commitments for work yet to be completed totaled \$467,598 at June 30, 2020.

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**NOTE 4 - CAPITAL ASSETS** (Continued)

	Balance June 30, 2018	Additions	Retirements/ Completed CIP	Balance June 30, 2019
<b>Nondepreciable capital assets:</b>				
Land	\$ 684,454	\$ -	\$ -	\$ 684,454
Construction in progress	729,360	2,222,570	(578,950)	2,372,980
Total nondepreciable capital assets	<u>1,413,814</u>	<u>2,222,570</u>	<u>(578,950)</u>	<u>3,057,434</u>
<b>Depreciable capital assets:</b>				
Land improvements	1,443,932	-	-	1,443,932
Buildings and improvements	15,039,756	568,864	-	15,608,620
Student conference center	6,202,987	-	-	6,202,987
Center for Excellence	7,138,503	-	-	7,138,503
Equipment	4,027,692	510,265	(6,000)	4,531,957
Internally developed software	227,055	-	-	227,055
Total depreciable capital assets	<u>34,079,925</u>	<u>1,079,129</u>	<u>(6,000)</u>	<u>35,153,054</u>
<b>Less accumulated depreciation:</b>				
Land improvements	686,695	43,743	-	730,438
Buildings and improvements	9,753,473	420,498	-	10,173,971
Student conference center	3,769,973	113,163	-	3,883,136
Center for Excellence	1,776,111	158,634	-	1,934,745
Equipment	3,158,739	237,257	(6,000)	3,389,996
Internally developed software	147,586	45,411	-	192,997
Total accumulated depreciation	<u>19,292,577</u>	<u>1,018,706</u>	<u>(6,000)</u>	<u>20,305,283</u>
Total depreciable capital assets - net	<u>14,787,348</u>	<u>60,423</u>	<u>-</u>	<u>14,847,771</u>
Capital assets - Net	<u>\$ 16,201,162</u>	<u>\$ 2,282,993</u>	<u>\$ (578,950)</u>	<u>\$ 17,905,205</u>

Construction in progress represents the cost of work performed on the College's access improvements, new main drive project, PA system upgrade, Troy campus, the Robison Career Center, and various room renovations through June 30, 2019, including amounts invoiced but not yet paid. Remaining commitments for work yet to be completed totaled \$1,464,383 at June 30, 2019.

**NOTE 5 - NONCURRENT LIABILITIES**

Noncurrent liabilities as of June 30, 2020 and 2019 are summarized as follows:

	2020					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond obligations	\$ 2,100,000	\$ -	\$ 240,000	\$ 1,860,000	\$ 245,000	\$ 1,615,000
Unamortized bond premium	61,995	-	8,359	53,636	-	53,636
Total	2,161,995	-	248,359	1,913,636	245,000	1,668,636
Net OPEB liability	3,347,904	362,878	-	3,710,782	-	3,710,782
Net pension liability	14,371,798	-	1,666,295	12,705,503	-	12,705,503
Compensated absences	397,471	157,789	13,957	541,303	387,351	153,952
Total	<u>\$ 20,279,168</u>	<u>\$ 520,667</u>	<u>\$ 1,928,611</u>	<u>\$ 18,871,224</u>	<u>\$ 632,351</u>	<u>\$ 18,238,873</u>

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**NOTE 5 - NONCURRENT LIABILITIES** (Continued)

	2019					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond obligations	\$ 2,335,000	\$ -	\$ 235,000	\$ 2,100,000	\$ 240,000	\$ 1,860,000
Unamortized bond premium	<u>70,354</u>	<u>-</u>	<u>8,359</u>	<u>61,995</u>	<u>-</u>	<u>61,995</u>
Total	2,405,354	-	243,359	2,161,995	240,000	1,921,995
Net OPEB liability	3,994,294	-	646,390	3,347,904	-	3,347,904
Net pension liability	12,059,207	2,312,591	-	14,371,798	-	14,371,798
Compensated absences	<u>405,051</u>	<u>72,632</u>	<u>80,212</u>	<u>397,471</u>	<u>260,937</u>	<u>136,534</u>
Total	<u>\$ 18,863,906</u>	<u>\$ 2,385,223</u>	<u>\$ 969,961</u>	<u>\$ 20,279,168</u>	<u>\$ 500,937</u>	<u>\$ 19,778,231</u>

During the year ended June 30, 2007, the College issued General Receipts Bonds, series 2006 for \$4,060,000 that bear interest at rates between 4.0% to 5.0% and that mature in 2027. Proceeds were used for paying construction costs of the Emerson Center. The bonds are collateralized by a pledge of general receipts of the College.

In September 2014, the College issued \$2,860,000 of General Receipts Refunding Bonds, Series 2014 with an average interest rate of 2.37 percent, a portion of which was used to advance refund \$2,670,000 outstanding General Receipts Bonds, Series 2006 with an average interest rate of 4.75 percent. The net proceeds of \$82,510 were used to pay issuance costs and \$2,906,907 was deposited with the trustee to pay principal and interest on the Series 2006 bonds when called for redemption on June 1, 2016. The advance refunding resulted in an economic gain with a net present value of \$144,745 because total debt service payments decreased by \$158,853.

The annual debt service requirements to maturity for the bonds payable are as follows as of June 30, 2020:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 245,000	\$ 53,050	\$ 298,050
2022	250,000	46,850	296,850
2023	260,000	39,200	299,200
2024	265,000	31,325	296,325
2025	270,000	23,300	293,300
2026-2027	<u>570,000</u>	<u>19,775</u>	<u>589,775</u>
Total	<u>\$ 1,860,000</u>	<u>\$ 213,500</u>	<u>\$ 2,073,500</u>

In addition to the debt service payments presented above, the College recognized bond premiums of \$102,396 which are amortized on a straight line basis over the remaining lives of the bonds. Unamortized bond premiums at June 30, 2020 are \$53,636.

Accrued compensated absences - The College provides vacation benefits to employees, as defined by each respective labor contract and administrative policy. The liability has been recorded based on the number of days available for each employee. Additionally, the College accrues unused sick days for those employees who have met the conditions of the plan at year end.

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

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**NOTE 6 - STATE SUPPORT**

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

In addition to the student subsidies, the State of Ohio provides the funding for construction and renovation of major plant facilities on the College campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn provides for the construction and renovation of the facility by the Ohio Board of Regents. Upon completion of a construction project, the Board of Regents turns over control to the College which capitalizes the cost. Renovations are capitalized in the period incurred.

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

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

**NOTE 7 - LEASE AGREEMENTS**

The College currently has a five-year lease agreement effective September 1, 2011 with Darke County Board of Commissioners for the facilities located in Greenville, Ohio with the option to renew for an additional five-year term. The option to renew was exercised on June 8, 2016. The annual rental expense under the additional five-year term is \$112,170. The College has a five-year lease agreement effective April 15, 2016 for office equipment. The annual rental expense under the agreement is \$32,324. In addition, the college has a five-year lease agreement effective November 1, 2015 for office equipment. The annual rental expense under the agreement is \$1,436. The College has a five-year lease agreement effective July 1, 2018 for office equipment. The annual rental expense under the agreement is \$505. The College currently has a two-year lease agreement effective January 1, 2019 with the YMCA of Greater Dayton for the facilities located in Eaton, Ohio with the option to renew for five terms of two years. The annual rental expense under the agreement is \$1. The College currently has a five year lease agreement effective August 1, 2019 with Troy Business Park, Ltd. for the facilities located in Troy, Ohio with the option to renew for an additional five-year term. The annual rental expense under the agreement is \$188,842.

At June 30, 2020, minimum lease payments under all leases are as follows:

Year Ending <u>June 30</u>	
2021	\$ 335,278
2022	212,745
2023	198,875
2024	203,319
2025	<u>16,978</u>
Total minimum lease payments	<u>\$ 967,195</u>

## NOTE 8 - RETIREMENT PLANS

College employees are covered by one of two retirement systems. The College faculty is covered by the State Teachers Retirement System of Ohio (STRS). Substantially all other employees are covered by the Ohio Public Employees' Retirement System (OPERS). These plans are statewide, multi-employer, cost sharing defined benefit plans. Employees may opt out of STRS or OPERS and participate in the alternative retirement plan (ARP) if they meet certain eligibility requirements.

### **Net Pension Liability:**

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

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

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

GASB Statement No. 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 contributions outstanding at the end of the year is included in *accrued salaries, wages, and benefits*.

**NOTE 8 - RETIREMENT PLANS** (Continued)

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

**Plan Description** – College licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://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% of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 30 years of service regardless of age. Increases in age and service requirements increase effective August 1, 2015 and will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14%-member rate goes to the DC Plan and 2% goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of 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 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options as one defined benefit plan for GASB Statement No. 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.

EDISON STATE COMMUNITY COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 Years Ended June 30, 2020 and 2019

**NOTE 8 - RETIREMENT PLANS** (Continued)

**Funding Policy** – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal years ended June 30, 2020 and 2019, plan members were required to contribute 14% of their annual covered salary. For both fiscal years, the College was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 and 2019 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was \$547,470 and \$543,207 for fiscal years 2020 and 2019, respectively. Of this amount \$30,701 and \$30,533 is reported in *accrued salaries, wages, and benefits* in 2020 and 2019, respectively.

**Plan Description - Ohio Public Employees' Retirement System (OPERS):**

**Plan Description** – College employees who are not covered by STRS participate in OPERS. OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., College employees) may elect the Member-Directed Plan and the Combined Plan, the majority of employee members are in OPERS' Traditional Pension Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three-member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	<b>Formula:</b> 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30 years	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years

**NOTE 8 - RETIREMENT PLANS** (Continued)

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

**Funding Policy** – The ORC provides statutory authority for member and employer contributions. For fiscal years 2020 and 2019, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The College's contractually required contribution was \$499,087 and \$553,129 for fiscal years 2020 and 2019, respectively. Of this amount \$52,018 and \$47,854 is reported in *accrued salaries, wages, and benefits* for fiscal years 2020 and 2019, respectively.

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

At June 30, 2020 and 2019, the College reported a liability for its proportionate share of the net pension liability of OPERS and STRS. The net pension liability presented as of June 30, 2020 was measured as of June 30, 2019 for the STRS plan and December 31, 2019 for the OPERS plan. The net pension liability presented as of June 30, 2019 was measured as of June 30, 2018 for the STRS plan and December 31, 2018 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. 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 projected contributions of all participating entities.



EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**NOTE 8 - RETIREMENT PLANS** (Continued)

The following is information related to the College's proportionate share, pension expense and deferred inflows and outflows for fiscal years 2020 and 2019:

<u>Fiscal Year 2020</u>	STRS	OPERS	Total
<b>Proportionate Share of the Net Pension Liability</b>	\$ 7,575,499	\$ 5,130,004	\$ 12,705,503
<b>Proportion of the Net Pension Liability</b>	0.0342560%	0.0259541%	
<b>Change in Proportion</b>	-0.0001607%	0.0011098%	
<b>Pension Expense</b>	\$ 762,653	\$ 880,897	1,643,550
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 61,677	\$ -	\$ 61,677
Change in assumptions	889,888	274,002	1,163,890
Change in College's proportionate share and difference in employer contributions	-	270,292	270,292
College contributions subsequent to the measurement date	547,470	254,876	802,346
	<u>\$ 1,499,035</u>	<u>\$ 799,170</u>	<u>\$ 2,298,205</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ (32,792)	\$ (64,862)	\$ (97,654)
Net difference between projected and actual earnings on pension plan investments	(370,249)	(1,023,320)	(1,393,569)
Change in the College's proportionate share and difference in employer contributions	(481,903)	-	(481,903)
	<u>\$ (884,944)</u>	<u>\$ (1,088,182)</u>	<u>\$ (1,973,126)</u>

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**NOTE 8 - RETIREMENT PLANS (Continued)**

<u>Fiscal Year 2019</u>	<u>STRS</u>	<u>OPERS</u>	<u>Total</u>
<b>Proportionate Share of the Net Pension Liability</b>	\$ 7,567,447	\$ 6,804,351	\$ 14,371,798
<b>Proportion of the Net Pension Liability</b>	0.0344166%	0.0248443%	
<b>Change in Proportion</b>	-0.0010221%	0.0016377%	
<b>Pension Expense</b>	\$ 412,194	\$ 1,336,155	1,748,349
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 174,679	\$ 314	\$ 174,993
Net difference between projected and actual earnings on pension plan investments	-	923,541	923,541
Change in assumptions	1,341,093	592,336	1,933,429
Change in College's proportionate share and difference in employer contributions	-	304,648	304,648
College contributions subsequent to the measurement date	543,207	283,313	826,520
	<u>\$ 2,058,979</u>	<u>\$ 2,104,152</u>	<u>\$ 4,163,131</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ (49,419)	\$ (89,345)	\$ (138,764)
Net difference between projected and actual earnings on pension plan investments	(458,881)	-	(458,881)
Change in the College's proportionate share and difference in employer contributions	(729,457)	(3,451)	(732,908)
	<u>\$ (1,237,757)</u>	<u>\$ (92,796)</u>	<u>\$ (1,330,553)</u>

\$802,346 reported as deferred outflows of resources related to pension at June 30, 2020 resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>STRS</u>	<u>OPERS</u>	<u>Total</u>
2021	\$ 213,810	\$ 94,798	\$ 308,608
2022	(77,490)	(274,736)	(352,226)
2023	(104,507)	42,375	(62,132)
2024	34,808	(406,325)	(371,517)
	<u>\$ 66,621</u>	<u>\$ (543,888)</u>	<u>\$ (477,267)</u>

EDISON STATE COMMUNITY COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 Years Ended June 30, 2020 and 2019

**NOTE 8 - RETIREMENT PLANS** (Continued)

**Actuarial Assumptions – STRS**

The total pension liability in the July 1, 2019 and 2018 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Investment rate of return	7.45%, net of investment expenses, including inflation
Discount rate of return	7.45%
Cost-of-living adjustments (COLA)	0%

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

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class for fiscal years 2020 and 2019 are summarized as follows:

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

\* 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**NOTE 8 - RETIREMENT PLANS** (Continued)

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

**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 7.45%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
<u>Fiscal Year 2020</u>			
College's proportionate share of the net pension liability	\$ 11,070,747	\$ 7,575,499	\$ 4,616,592
<u>Fiscal Year 2019</u>			
College's proportionate share of the net pension liability	\$ 11,051,259	\$ 7,567,447	\$ 4,618,871

**Actuarial Assumptions – OPERS:**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and cost trends. Actuarially determined amounts are subject to continual review or modification 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. The total pension liability in the December 31, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions:

	2019	2018
Wage inflation	3.25%	3.25%
Future salary increases, Including inflation	3.25% to 10.75%	3.25% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; Post 1/7/2013 retirees: 1.4% simple through 2020, then 2.15% simple	Pre 1/7/2013 retirees: 3%; Post 1/7/2013 retirees: 3% simple through 2018, then 2.15% simple
Current measurement period investment rate of return	7.20%	7.20%
Prior measurement period investment rate of return	7.20%	7.50%
Actuarial cost method	Individual entry age	Individual entry age

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**NOTE 8 - RETIREMENT PLANS** (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Health Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019 and 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 17.23% and 2.94% for 2019 and 2018, respectively.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00%	1.83%
Domestic Equities	19.00%	5.75%
Real Estate	10.00%	5.20%
Private Equity	12.00%	10.70%
International Equities	21.00%	7.66%
Other Investments	<u>13.00%</u>	<u>4.98%</u>
Total	<u>100.00%</u>	<u>5.61%</u>

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**NOTE 8 - RETIREMENT PLANS** (Continued)

The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.79%
Domestic Equities	19.00%	6.21%
Real Estate	10.00%	4.90%
Private Equity	10.00%	10.81%
International Equities	20.00%	7.83%
Other Investments	<u>18.00%</u>	<u>5.50%</u>
Total	<u>100.00%</u>	<u>5.95%</u>

**Discount Rate** – The discount rate used to measure the total pension liability was 7.20% for 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected 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 benefit payments to determine the total pension liability.

**Sensitivity of the College’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following table represents the College’s proportionate share of the net pension liability for fiscal years 2020 and 2019, calculated using the current period discount rate assumption of 7.20%, 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 (6.20%) and one-percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
<u>Fiscal Year 2020</u>			
College’s proportionate share of the net pension liability	\$ 8,461,327	\$ 5,130,004	\$ 2,135,577
<u>Fiscal Year 2019</u>			
College’s proportionate share of the net pension liability	\$ 10,051,995	\$ 6,804,351	\$ 4,105,517

**NOTE 8 - RETIREMENT PLANS** (Continued)

**Alternate Retirement Plans (“ARP”):**

Certain full-time College faculty and unclassified staff have the option to choose the ARP in place of STRS or OPERS. The ARP is a defined contribution plan, which provides employees with the opportunity to establish individual retirement accounts with a defined group of investment options, with each participant having control of the assets and investment options associated with those assets. The administrators of the plan are the providers of the plan investment options. Authority to establish and amend benefits and contribution requirements for the ARP is provided by state statute per the Ohio Revised Code.

Under the provisions of the ARP, the required contribution rates of plan participants are equal to the contribution rates of employees who would otherwise participate in STRS or OPERS. The College contributes 9.5% of a participating faculty member’s compensation and 11.56% of participating non-faculty member’s compensation to the participant’s account. The College is also required to contribute an additional 4.47% of employees’ covered compensation to STRS and 2.44% of employees’ covered compensation to OPERS. Plan participants’ contributions to ARP plan providers were \$126,534 and \$128,749 and the College contributions to the Plan providers amounted to \$115,106 and \$117,715, respectively, for the years ended June 30, 2020 and 2019. In addition, the amounts contributed to STRS and OPERS by the College on behalf of ARP participants were \$35,811 and \$36,355, respectively, for the years ended June 30, 2020 and 2019. Employees become fully vested in employer contributions to the ARP after three years, with no vesting provided for terms of service less than three years.

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Net OPEB Liability (Asset):**

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

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

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

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability (asset). Resulting adjustments to the net OPEB liability (asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* or fully-funded benefits as a long-term *net OPEB asset* on the accrual basis of accounting. Any liability for contractually-required OPEB contributions outstanding at the end of the fiscal year is included in *accrued salaries, wages, and benefits*.

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

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

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

**Plan Description - Ohio Public Employees' Retirement System (OPERS):**

The OPERS administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and Combined plans. This trust is also used to fund health care for Member-Directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.



**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other postemployment benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

**Funding Policy** – The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of Traditional Pension and Combined plans' employer contributions allocated to health care was zero for calendar years 2020 and 2019. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 and 2019 was 4.0%.

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

**OPEB (Assets) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:**

The net OPEB asset for STRS was measured as of June 30, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018 and 2017, rolled forward to the measurement date of December 31, 2019 and 2018, respectively, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The College's proportion of the net OPEB liability (asset) was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities. The following is information related to the proportionate share and OPEB expense:

<u>Fiscal Year 2020</u>	<u>STRS</u>	<u>OPERS</u>	<u>Total</u>
<b>Proportionate Share of the Net</b>			
<b>OPEB Liability (asset)</b>	\$ (567,362)	\$ 3,710,782	\$ 3,143,420
<b>Proportion of the Net OPEB</b>			
<b>Liability (asset)</b>	0.0342560%	0.0268652%	
<b>Change in Proportion</b>	-0.0001606%	0.0011864%	
<b>OPEB Expense</b>	\$ (195,234)	\$ 548,352	353,118
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 51,436	\$ 100	\$ 51,536
Change in assumptions	11,928	587,378	599,306
Difference between employer contributions and proportionate share of contributions	-	143,532	143,532
	<u>\$ 63,364</u>	<u>\$ 731,010</u>	<u>\$ 794,374</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ (28,867)	\$ (339,369)	\$ (368,236)
Net difference between projected and actual earnings on OPEB plan investments	(35,634)	(188,953)	(224,587)
Change in assumptions	(622,046)	-	(622,046)
Difference between employer contributions and proportionate share of contributions	(89,624)	-	(89,624)
	<u>\$ (776,171)</u>	<u>\$ (528,322)</u>	<u>\$ (1,304,493)</u>

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

<u>Fiscal Year 2019</u>	<u>STRS</u>	<u>OPERS</u>	<u>Total</u>
<b>Proportionate Share of the Net</b>			
<b>OPEB Liability (asset)</b>	\$ (553,041)	\$ 3,347,904	\$ 2,794,863
<b>Proportion of the Net OPEB</b>			
<b>Liability (asset)</b>	0.0344166%	0.0256788%	
<b>Change in Proportion</b>	-0.0010221%	0.0016292%	
<b>OPEB Expense</b>	\$ (1,220,190)	\$ 387,231	(832,959)
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 64,595	\$ 1,134	\$ 65,729
Net difference between projected and actual earnings on OPEB plan investments	-	153,483	153,483
Change in assumptions	-	107,941	107,941
Difference between employer contributions and proportionate share of contributions	-	134,688	134,688
	<u>\$ 64,595</u>	<u>\$ 397,246</u>	<u>\$ 461,841</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ (32,220)	\$ (9,084)	\$ (41,304)
Net difference between projected and actual earnings on OPEB plan investments	(63,180)	-	(63,180)
Change in assumptions	(753,560)	-	(753,560)
Difference between employer contributions and proportionate share of contributions	(109,355)	-	(109,355)
	<u>\$ (958,315)</u>	<u>\$ (9,084)</u>	<u>\$ (967,399)</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	<u>STRS</u>	<u>OPERS</u>	<u>Total</u>
2021	\$ (156,966)	\$ 202,623	\$ 45,657
2022	(156,966)	80,656	(76,310)
2023	(142,684)	150	(142,534)
2024	(137,673)	(80,741)	(218,414)
2025	(119,993)	-	(119,993)
2026	1,475	-	1,475
	<u>\$ (712,807)</u>	<u>\$ 202,688</u>	<u>\$ (510,119)</u>

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

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**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**Actuarial Assumptions – STRS:**

The total OPEB asset in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment rate of return	7.45%, net of investment expenses, including inflation	
Discount rate of return	7.45%	
Health care cost trends	Initial	Ultimate
Medical		
Pre-Medicare	5.87%	4.00%
Medicare	4.98%	4.00%
Prescription Drug		
Pre-Medicare	7.73%	4.00%
Medicare	9.62%	4.00%

The total OPEB asset in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment rate of return	7.45%, net of investment expenses, including inflation	
Discount rate of return	7.45%	
Health care cost trends	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

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

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

Since the prior measurement date, claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

EDISON STATE COMMUNITY COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 Years Ended June 30, 2020 and 2019

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class for 2020 and 2019 are summarized as follows:

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

\* 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, but does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** – The discount rate used to measure the total OPEB liability (asset) was 7.45% as of June 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45% was used to measure the total OPEB liability (asset) as of June 30, 2019 and 2018.

**Sensitivity of the College's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate and the Health Care Cost Trend Rates** – The following table presents the College's proportionate share of the net OPEB liability (asset) for fiscal years 2020 and 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the College's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45%) and one percentage point higher (8.45%) than the current rate.

	1% Decrease <u>(6.45%)</u>	Current Discount Rate <u>(7.45%)</u>	1% Increase <u>(8.45%)</u>
<u>Fiscal Year 2020</u>			
College's proportionate share of the net OPEB liability (asset)	\$ (484,129)	\$ (567,362)	\$ (637,339)
<u>Fiscal Year 2019</u>			
College's proportionate share of the net OPEB liability (asset)	\$ (474,007)	\$ (553,041)	\$ (619,464)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

Also shown is the net OPEB liability (asset) as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

<u>Fiscal Year 2020</u>	<u>1% Decrease In Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase In Trend Rates</u>
College's proportionate share of the net OPEB liability (asset)	\$ (643,361)	\$ (567,362)	\$ (474,279)
<u>Fiscal Year 2019</u>			
College's proportionate share of the net OPEB liability (asset)	\$ (615,714)	\$ (533,041)	\$ (489,390)

**Actuarial Assumptions – OPERS:**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability for fiscal year 2020 was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Key Methods and Assumptions Used in Valuation of the Total OPEB Liability:

Actuarial valuation date	December 31, 2018
Rolled-forward measurement date	December 31, 2019
Actuarial cost method	Individual entry age normal
Actuarial Assumptions:	
Single discount rate	3.16%
Investment rate of return	6.00%
Municipal bond rate	2.75%
Wage inflation	3.25%
Projected salary increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Health care cost trend rate	10.5% initial, 3.50% ultimate in 2030

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

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**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

The total OPEB liability for fiscal year 2019 was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018.

Key Methods and Assumptions Used in Valuation of the Total OPEB Liability:

Actuarial valuation date	December 31, 2017
Rolled-forward measurement date	December 31, 2018
Actuarial cost method	Individual entry age normal
Actuarial Assumptions:	
Single discount rate	3.96%
Investment rate of return	6.00%
Municipal bond rate	3.71%
Wage inflation	3.25%
Projected salary increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Health care cost trend rate	10.0% initial, 3.25% ultimate in 2029

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019 and 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 19.70% and 5.60% for 2019 and 2018, respectively.

The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit.

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

The table below displays the OPERS Board-approved asset allocation policy for 2019 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00%	1.53%
Domestic Equities	21.00%	5.75%
REITs	6.00%	5.69%
International Equities	23.00%	7.66%
Other Investments	<u>14.00%</u>	<u>4.90%</u>
Total	<u>100.00%</u>	<u>4.55%</u>

The table below displays the OPERS Board-approved asset allocation policy for 2018 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	2.42%
Domestic Equities	21.00%	6.21%
REITs	6.00%	5.98%
International Equities	22.00%	7.83%
Other Investments	<u>17.00%</u>	<u>5.57%</u>
Total	<u>100.00%</u>	<u>5.16%</u>

**Discount Rate** – A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75%. The single discount rate on the prior measurement date was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.



EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

**Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rates** – The following table presents the College's proportionate share of the net OPEB liability for fiscal years 2019 and 2018 calculated using the single discount rate of 3.16% and 3.96%, respectively, as well as what the College's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
<u>Fiscal Year 2020</u>			
College's proportionate share of the net OPEB liability	\$ 4,856,012	\$ 3,710,782	\$ 2,793,631
<u>Fiscal Year 2019</u>			
College's proportionate share of the net OPEB liability	\$ 4,283,099	\$ 3,347,904	\$ 2,604,011

**Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates** – Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50% and starting in 2019 is 10.0%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease In Trend Rates	Current Trend Rates	1% Increase In Trend Rates
<u>Fiscal Year 2020</u>			
College's proportionate share of the net OPEB liability	\$ 3,601,175	\$ 3,710,782	\$ 3,818,777
<u>Fiscal Year 2019</u>			
College's proportionate share of the net OPEB liability	\$ 3,217,973	\$ 3,347,904	\$ 3,497,350

**Changes Subsequent to the Measurement Date.** On January 15, 2020, the OPERS' Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current measurement period, but are expected to decrease the associated OPEB liability.

#### **NOTE 10 - INSURANCE**

The College maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The College also carries professional coverage for employees and its Board of Trustees. Over the past three years, settlement amounts related to these insured risks have been negligible.

#### **NOTE 11 - CONTINGENCIES**

The College receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. It is the opinion of management that any potential disallowance of claims would not have a significant effect on the financial statements.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures impacted the second half of fiscal year 2020 and will impact subsequent periods of the College. The impact on the College's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

#### **NOTE 12 - FEDERAL DIRECT LENDING PROGRAM**

The College distributed \$3,050,948 and \$3,488,903 for student loans through the U.S. Department of Education federal direct lending program for the years ended June 30, 2020 and 2019, respectively. These distributions and related funding source are not included as expenses or revenue in the accompanying financial statements.

#### **NOTE 13 - RELATED ORGANIZATION**

The Edison Foundation, Inc. (the "Foundation") is a separate not-for-profit entity organized for the purpose of promoting educational activities of the College. Since the resources held by the Foundation can be used only by and for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. The up to 25-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Amounts transferred to the College from the Foundation are recorded as nonoperating gifts in the accompanying financial statements.

The Foundation reports under FASB standards, including Accounting Standards Codification 958-205 (previously FASB Statement No. 117), *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. Complete financial statements for the Foundation can be obtained from Edison State Community College, 1973 Edison Drive, Piqua, OH 45356.

The following is a summary of the Foundation's significant accounting and reporting policies presented to assist the reader in interpreting the financial statements and other data in this report.

Cash and Cash Equivalents: The Foundation considers all highly liquid investments, including certificates of deposit, with a maturity of three months or less when purchased to be cash equivalents.

EDISON STATE COMMUNITY COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 Years Ended June 30, 2020 and 2019

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**NOTE 13 - RELATED ORGANIZATION (Continued)**

Contributions: Contributions, including unconditional promises to give in the future, are measured at fair value and reported as revenue when received or receivable. Conditional contributions are not recognized until the conditions are substantially met. Contributions with donor-imposed time or purpose restrictions are reported as support with donor restrictions. All other contributions are reported as support without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Pledges Receivable: Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible. Based upon management's judgment, considering such factors as prior collection history, type of contribution, and nature of fundraising activity, the Foundation did not record an allowance for uncollectible pledges receivable as of June 30, 2020 and 2019.

As of June 30, 2020 and 2019, contributors to the Foundation have outstanding unconditional pledges totaling \$7,677 and \$5,910, respectively. All pledges have been classified as net assets with donor restrictions since they will either expire or be fulfilled within a specified period of time. All pledges are due within one year and are considered to be fully collectible.

Investments: Investments are stated at fair value, and realized and unrealized gains and losses are reflected in the statements of revenue, expenses, and changes in net position. Donated investments are recorded at the fair market value on the date received or receivable. Realized gains or losses are determined based on the average cost method.

Net Assets: Net assets are classified into two categories: (1) Net assets without donor restrictions, which represent funds available for grants and expenses which are not otherwise limited by donor restrictions. When a donor-imposed restriction is met in the same reporting period as received, the support is recorded as net assets without donor restrictions. These net assets may be designated for specific purposes by Board of Directors. (2) Net assets with donor restrictions, which consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time. Generally, these donor restrictions limit the use of these net assets to the scholarships and other College programs and capital projects of the College. Some donor restrictions are perpetual in nature whereby principal is to be maintained intact in perpetuity and that only the income from investment thereof can be expended either for the general purpose of the Foundation or purposes specified by the donor.

Investments by major types for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Corporate bonds	\$ 421,914	\$ 484,623
Common stocks	1,466,790	1,360,386
Mutual funds - REITS	-	109,338
Mutual funds - Fixed income	389,994	160,274
Mutual funds - Equities	192,275	151,475
Total	\$ 2,470,973	\$ 2,266,096

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**NOTE 13 - RELATED ORGANIZATION** (Continued)

GAAP requires certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2020 and 2019 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2020 and 2019, there were no transfers between levels of the fair value hierarchy.

Fair Value Measurements at June 30, 2020

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
Assets:				
Fixed income - Domestic (1)	\$ 389,994	\$ 421,914	\$ -	\$ 811,908
Equities - Domestic	1,659,065	-	-	1,659,065
	<u>\$ 2,049,059</u>	<u>\$ 421,914</u>	<u>\$ -</u>	<u>\$ 2,470,973</u>

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**NOTE 13 - RELATED ORGANIZATION** (Continued)

Fair Value Measurements at June 30, 2019

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Assets:				
Fixed income - Domestic (1)	\$ 160,274	\$ 484,623	\$ -	\$ 644,897
Equities - Domestic	1,511,861	-	-	1,511,861
Equities - REITs	109,338	-	-	109,338
	<u>\$ 1,781,473</u>	<u>\$ 484,623</u>	<u>\$ -</u>	<u>\$ 2,266,096</u>

(1) The fair value of certain fixed-income securities at June 30, 2020 and 2019 was determined primarily based on Level 2 inputs. The Foundation estimates the fair value of these investments using quoted prices for similar assets in active markets. The fair value of the assets was determined primarily based on quoted market prices from the investment custodian.

Net realized and unrealized (losses) gains on investments were \$(17,060) and \$170,549 for the years ended June 30, 2020 and 2019, respectively. There were no capital gains distributions in either year.

**NOTE 14 – RELATED PARTY TRANSACTIONS**

The College processes most of the Foundation's expenses and is periodically reimbursed for those checks written on the Foundation's behalf. For the years ended June 30, 2020 and 2019, the College was reimbursed by the Foundation for \$19,940 and \$19,753, respectively, of salaries expense paid by the College on the Foundation's behalf. The College received \$1,009,345 and \$1,456,587 in grants from the Foundation during the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the College had accounts receivable from the Foundation of \$236,855 and \$92,763, respectively.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**EDISON STATE COMMUNITY COLLEGE**

Required Supplementary Information  
 Schedule of College's Proportionate Share of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Six Fiscal Years (1) (2)

	College's Proportion of the Net Pension Liability	College's Proportionate Share of the Net Pension Liability	College's Covered Payroll	College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.040110%	\$ 9,756,043	\$ 3,717,594	262.43%	74.70%
2016	0.039131%	10,814,772	4,082,273	264.92%	72.10%
2017	0.037348%	12,501,491	3,804,950	328.56%	66.80%
2018	0.035439%	8,418,539	3,785,307	222.40%	75.30%
2019	0.034417%	7,567,447	3,786,035	199.88%	77.30%
2020	0.034256%	7,575,499	3,880,050	195.24%	77.40%

(1) Information prior to 2015 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the College's measurement date, which is the prior fiscal year-end.

**Notes to Schedule:**

*Change in assumptions.* In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0/25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

*Change in benefit terms.* Effective July 1, 2017, the COLA was reduced to zero.



**EDISON STATE COMMUNITY COLLEGE**

Required Supplementary Information

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

Ohio Public Employees Retirement System - Traditional Pension Plan

Last Six Years (1) (2)

	College's Proportion of the Net Pension Liability	College's Proportionate Share of the Net Pension Liability	College's Covered Payroll	College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.027064%	\$ 3,261,782	\$ 3,782,425	86.24%	86.45%
2016	0.023428%	4,050,419	4,042,817	100.19%	81.08%
2017	0.022273%	5,057,859	3,656,242	138.33%	77.25%
2018	0.023207%	3,640,668	3,665,736	99.32%	84.66%
2019	0.024844%	6,804,351	3,742,956	181.79%	74.70%
2020	0.025954%	5,130,004	3,950,921	129.84%	82.17%

(1) Information prior to 2015 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the College's measurement date, which is the prior calendar year-end.

**Notes to Schedule:**

*Change in assumptions.* In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

In 2019, a reduction of the discount rate was made from 7.5% to 7.2%.

**EDISON STATE COMMUNITY COLLEGE**  
 Required Supplementary Information  
 Schedule of College Pension Contributions  
 State Teachers Retirement System of Ohio  
 Last Seven Fiscal Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 514,545	\$ (514,545)	\$ -	\$ 3,717,594	13.84%
2015	558,455	(558,455)	-	4,082,273	13.68%
2016	532,693	(532,693)	-	3,804,950	14.00%
2017	529,943	(529,943)	-	3,785,307	14.00%
2018	530,045	(530,045)	-	3,786,035	14.00%
2019	543,207	(543,207)	-	3,880,050	14.00%
2020	547,470	(547,470)	-	3,910,500	14.00%

(1) The College elected not to present information prior to 2014. The College will continue to present information for years available until a full ten-year trend is compiled.

**EDISON STATE COMMUNITY COLLEGE**  
 Required Supplementary Information  
 Schedule of College Pension Contributions  
 Ohio Public Employees Retirement System - Traditional Pension Plan  
 Last Seven Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 453,891	\$ (453,891)	\$ -	\$ 3,782,425	12.00%
2015	485,138	(485,138)	-	4,042,817	12.00%
2016	438,749	(438,749)	-	3,656,242	12.00%
2017	458,217	(458,217)	-	3,665,736	12.50%
2018	505,299	(505,299)	-	3,742,956	13.50%
2019	553,129	(553,129)	-	3,950,921	14.00%
2020	499,087	(499,087)	-	3,564,907	14.00%

(1) Information prior to 2014 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

**EDISON STATE COMMUNITY COLLEGE**

Required Supplementary Information  
 Schedule of College's Proportionate Share of the Net OPEB Liability (Asset)  
 State Teachers Retirement System of Ohio  
 Last Four Fiscal Years (1) (2)

	College's Proportion of the Net OPEB Liability (Asset)	College's Proportionate Share of the Net OPEB Liability (Asset)	College's Covered Payroll	College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2017	0.037348%	\$ 1,997,379	\$ 3,804,950	52.49%	37.3%
2018	0.035439%	1,382,688	3,785,307	36.53%	47.1%
2019	0.034417%	(553,041)	3,786,035	(14.61%)	176.0%
2020	0.034256%	(567,362)	3,880,050	(14.62%)	174.7%

(1) Information prior to 2017 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the College's measurement date, which is the prior fiscal year-end.

**Notes to Schedule:**

*Change in assumption.* For measurement year 2017, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For measurement year 2018, the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74. Valuation year per capital health care costs were updated.

*Change in benefit terms.* For measurement year 2017, the subsidy multiplier for non-Medicare benefit recipient was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

For measurement year 2018, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For measurement year 2019, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

**EDISON STATE COMMUNITY COLLEGE**

Required Supplementary Information  
 Schedule of College's Proportionate Share of the Net OPEB Liability  
 Ohio Public Employees Retirement System  
 Last Four Years (1) (2)

	College's Proportion of the Net OPEB Liability	College's Proportionate Share of the Net OPEB Liability	College's Covered Payroll	College's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.023389%	\$ 2,362,330	\$ 3,656,242	64.61%	54.05%
2018	0.024050%	2,611,606	3,665,736	71.24%	54.14%
2019	0.025679%	3,347,904	3,742,956	89.45%	46.33%
2020	0.026865%	3,710,782	3,950,921	93.92%	47.80%

(1) Information prior to 2017 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the College's measurement date, which is the prior year-end.

**Notes to Schedule:**

*Change in assumptions.* In 2018, the single discount rate changed from 4.23% to 3.85%.

In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00%, and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.0% initial, 3.25% ultimate in 2028 to 10.5% initial, 3.50% ultimate in 2030.

**EDISON STATE COMMUNITY COLLEGE**  
 Required Supplementary Information  
 Schedule of College OPEB Contributions  
 State Teachers Retirement System of Ohio  
 Last Five Fiscal Years (1)

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016 \$	-	\$ -	\$ -	\$ 3,804,950	0.00%
2017	-	-	-	3,785,307	0.00%
2018	-	-	-	3,786,035	0.00%
2019	-	-	-	3,880,050	0.00%
2020	-	-	-	3,910,500	0.00%

(1) The College elected not to present information prior to 2016. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) STRS allocated the entire 14% employer contribution rate toward pension benefits.

**EDISON STATE COMMUNITY COLLEGE**  
 Required Supplementary Information  
 Schedule of College OPEB Contributions  
 Ohio Public Employees Retirement System  
 Last Five Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 65,433	\$ (65,433)	\$ -	\$ 3,656,242	2.00%
2017	34,256	(34,256)	-	3,665,736	1.50%
2018	-	-	-	3,742,956	0.50%
2019	-	-	-	3,950,921	0.00%
2020	-	-	-	3,564,907	0.00%

(1) Information prior to 2016 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

**SUPPLEMENTAL INFORMATION**



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**INDEPENDENT AUDITORS' 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  
Edison State Community College  
Piqua, 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 discretely presented component unit of Edison State Community College (the "College"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 15, 2020.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
October 15, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Edison State Community College  
Piqua, Ohio

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

We have audited Edison State 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 each of the College's major federal programs for the year ended June 30, 2020. The College's major federal programs are identified in the summary of auditors' 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.

**Auditors' 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.

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

**Opinion on Each Major Federal Program**

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

**Report on Internal Control Over Compliance**

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

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

We have audited the financial statements of the College as of and for the year ended June 30, 2020, and have issued our report thereon dated October 15, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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 financial statements as a whole.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
January 25, 2021

Edison State Community College  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

Federal Grantor/Pass Through Grantor/Program Title	Grant or Pass Through Number	Assistance Listing Number	Expenditures
<u>U.S. Department of Education</u>			
<u>Title IV Program</u>			
<u>Student Financial Aid Cluster:</u>			
Federal Supplemental Educational Opportunity Grants	(1)	84.007	\$ 102,150
Federal Work-Study Program	(1)	84.033	65,455
Federal Pell Grant Program	(1)	84.063	3,121,012
Federal Direct Student Loans	(1)	84.268	<u>3,050,948</u>
Total Student Financial Aid Cluster			<u>6,339,565</u>
<u>Title I Program</u>			
<i>Passed through Ohio Department of Education:</i>			
Career and Technical Education - Basic Grants to States	U.S.A.S #524	84.048	<u>77,386</u>
Total Title I Program			<u>77,386</u>
<i>Passed through The Ohio State University:</i>			
Transition Programs for Students with Intellectual Disabilities into Higher Education	P407A150080	84.407	25,043
COVID-19 - Higher Education Emergency Relief Fund			
Student Aid Portion	(1)	84.425E	491,145
Institutional Portion	(1)	84.425F	<u>117,604</u>
Total Higher Education Emergency Relief Fund			<u>608,749</u>
Total U.S. Department of Education			<u>7,050,743</u>
<u>U.S. Department of Labor</u>			
<i>Passed through Ohio Department of Jobs and Family Services:</i>			
Apprenticeship USA Grants	AP-30104-16-60-A-39	17.285	20,000
<i>Passed through American Association of Community Colleges:</i>			
Apprenticeship USA Grants	AP-33025-19-75-A-11	17.285	<u>32,744</u>
Total Apprenticeship USA Grants			<u>52,744</u>
Total U.S. Department of Labor			<u>52,744</u>
<u>U.S. Department of the Treasury</u>			
<i>Passed through Ohio Department of Higher Education:</i>			
COVID-19 - Coronavirus Relief Fund	N/A	21.019	<u>115,830</u>
Total U.S. Department of the Treasury			<u>115,830</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through Ohio Department of Education:</i>			
Child Care and Development Block Grant	403948	93.575	<u>964</u>
Total U.S. Department of Health and Human Services			<u>964</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 7,220,281</u>

(1) - Direct Award

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

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2020

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**NOTE 1 - GENERAL**

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

**NOTE 2 – BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, the same basis of accounting as the basic financial statements. Expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. In addition, the College did not pass-through any federal awards to subrecipients during the year ended June 30, 2020.

The College has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

**NOTE 3 – MATCHING REQUIREMENTS**

Certain Federal programs require the College to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The College has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**NOTE 4 – LOAN PROGRAMS**

The College originates but does not provide funding under the Direct Loan Program. The amount presented represents the value of new Direct Loans awarded by the Department of Education during the year.

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major program:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major federal program:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None noted

Identification of major program:

- Student Financial Aid Cluster:
  - CFDA# 84.007 – Supplemental Educational Opportunity Grant
  - CFDA# 84.033 – College Work Study
  - CFDA# 84.063 – Pell Grant
  - CFDA# 84.268 – Federal Direct Student Loans

Dollar threshold to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

None noted

**Section III – Federal Awards Findings and Questioned Costs**

None noted

**Section IV – Summary of Prior Audit Findings and Questioned Costs**

None noted





# OHIO AUDITOR OF STATE KEITH FABER



**EDISON STATE COMMUNITY COLLEGE**

**MIAMI COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/16/2021**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)