



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

**EDISON STATE COMMUNITY COLLEGE
MIAMI COUNTY, OHIO**

SINGLE AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board of Trustees
Edison State Community College
1973 Edison Drive
Piqua, Ohio 45356

We have reviewed the *Independent Auditors' Report* of the Edison State Community College, Miami County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2020 through June 30, 2021. 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

October 20, 2021

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EDISON STATE COMMUNITY COLLEGE
BOARD OF TRUSTEES AND ADMINISTRATIVE PERSONNEL
June 30, 2021

<u>Board of Trustees</u>	<u>Title</u>	<u>Term of Office</u>
Mrs. Tamara Baird Ganley	Chairman	2021-2027
Mr. James C. Oda	Vice Chairman	2017-2023
Mrs. Tyeis Baker-Baumann	Trustee	2019-2025
Dr. Philip E. Dubbs	Trustee	2021-2027
Mr. Gary V. Heitmeyer	Trustee	2021-2027
Mr. Darryl D. Mehaffie	Trustee	2017-2023
Mr. Thomas P. Milligan	Trustee	2021-2027
Mr. Douglas L. Fortkamp	Trustee	2019-2025
Mrs. Elizabeth Simms Gutmann	Trustee	2019-2025

<u>College Administration</u>	<u>Title</u>
Dr. Doreen Larson	President
Mr. Chris Spradlin	Provost
Mr. James Lehmkuhl	Vice President of Administration and Finance
Dr. Rick Hanes	Vice President of Business and Community Partnerships
Mr. Chad Beanblossom	Vice President of Regional Campuses
Mrs. Macy Guillozet	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, 2020 to November 1, 2021.

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

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, 2021 and 2020, 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, 2021 and 2020, 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 as well as the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules of the Board of Trustees and the Administrative Personnel 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 12, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 12, 2021

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2021 and 2020

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, 2021 and 2020. 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, 2021, the College's revenue and other support exceeded expenses, creating an increase in net position of \$4,645,915. Revenue increased from fiscal year 2020 due to an increase in Student tuition and fees, State appropriations, and Federal grants and contracts and operating expenses decreased 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 increased by \$2,161,330.

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, 2021 and 2020

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 College's financial position was stronger at June 30, 2021 than it was in the prior year. In fiscal year 2021, the College experienced an increase in tuition and fees, state funding, federal grants and contracts and operating expenses declined due to annual GASB 68 and 75 adjustments.

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, 2021, 2020, and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current assets	\$ 10,855,078	\$ 8,653,944	\$ 9,270,386
Noncurrent assets			
Capital assets - Net	19,054,677	18,959,830	17,905,205
Other	<u>1,590,777</u>	<u>1,350,116</u>	<u>1,605,808</u>
Total assets	<u>31,500,532</u>	<u>28,963,890</u>	<u>28,781,399</u>
Deferred outflows of resources			
OPEB costs	507,510	794,374	461,841
Pension costs	2,120,595	2,298,205	4,163,131
Loss on bond refunding	<u>88,262</u>	<u>104,556</u>	<u>120,851</u>
Total deferred outflows of resources	<u>2,716,367</u>	<u>3,197,135</u>	<u>4,745,823</u>
Current liabilities	2,689,187	2,157,572	2,851,109
Noncurrent liabilities	<u>13,888,067</u>	<u>18,238,873</u>	<u>19,778,231</u>
Total liabilities	<u>16,577,254</u>	<u>20,396,445</u>	<u>22,629,340</u>
Deferred inflows of resources			
OPEB costs	2,313,042	1,304,493	967,399
Pension costs	<u>2,193,727</u>	<u>1,973,126</u>	<u>1,330,553</u>
Total deferred inflows of resources	<u>4,506,769</u>	<u>3,277,619</u>	<u>2,297,952</u>
Net position			
Net investment in capital assets	17,768,662	17,436,749	16,150,062
Restricted - expendable	124,092	-	178,220
Unrestricted	<u>(4,759,878)</u>	<u>(8,949,788)</u>	<u>(7,728,352)</u>
Total net position	<u>\$ 13,132,876</u>	<u>\$ 8,486,961</u>	<u>\$ 8,599,930</u>

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2021 and 2020

	Years Ended June 30		
	2021	2020	2019
Operating revenues			
Student tuition and fees	\$ 8,979,576	\$ 8,424,120	\$ 8,055,609
Less grants and scholarships	<u>(2,723,956)</u>	<u>(3,288,617)</u>	<u>(3,316,527)</u>
Net student tuition and fees	6,255,620	5,135,503	4,739,082
Federal grants and contracts	238,818	328,336	255,208
State and local grants and contracts	166,257	172,714	71,861
Auxiliary activities	143,562	135,516	153,961
Other operating revenues	<u>136,935</u>	<u>91,438</u>	<u>77,136</u>
Total operating revenues	<u>6,941,192</u>	<u>5,863,507</u>	<u>5,297,248</u>
Operating expenses			
Educational and general instruction			
Instruction	6,897,421	7,053,029	5,560,349
Public service	230,854	443,819	497,522
Academic support	474,313	633,247	706,503
Student services	1,090,486	2,392,463	2,450,158
Institutional support	5,490,598	6,103,052	6,200,522
Plant operations and maintenance	1,070,330	1,445,447	1,583,195
Depreciation	1,188,847	1,118,008	1,018,706
Student aid	1,994,250	1,076,237	411,084
Auxiliary enterprises - bookstore	<u>6,870</u>	<u>7,770</u>	<u>8,639</u>
Total operating expenses	<u>18,443,969</u>	<u>20,273,072</u>	<u>18,436,678</u>
Operating loss	<u>(11,502,777)</u>	<u>(14,409,565)</u>	<u>(13,139,430)</u>
Nonoperating revenues (expenses) and other revenues			
Federal grants and contracts	5,932,434	3,851,707	3,173,593
State appropriations	9,351,368	8,291,363	8,160,018
Interest expense	(62,117)	(66,976)	(71,734)
Other nonoperating revenues	62,134	1,134,011	1,576,945
Capital appropriations	<u>864,873</u>	<u>1,086,491</u>	<u>816,026</u>
Total nonoperating revenues and other revenues	<u>16,148,692</u>	<u>14,296,596</u>	<u>13,654,848</u>
Change in net position	<u>\$ 4,645,915</u>	<u>\$ (112,969)</u>	<u>\$ 515,418</u>

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2021 and 2020

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 2021 operating revenue:

- Gross student tuition and fees increased by 6.6%, or \$555,456 due to an increase of College Credit Plus students of 13.9%. Net student tuition and fees increased by \$1,120,117, or 21.8%, due to an increase in 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 \$564,661 or 9.0% of current year 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.

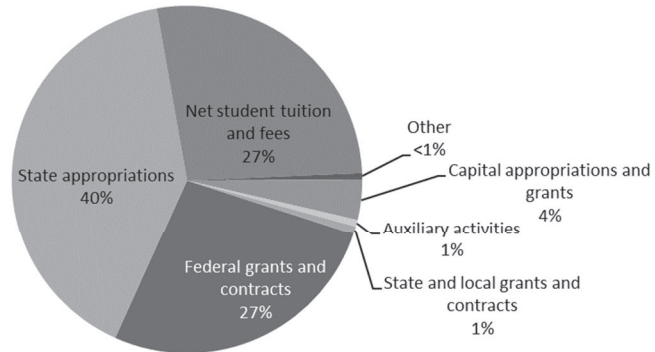
The following factors had a significant impact on the fiscal year 2020 operating revenue:

- 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 in 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.

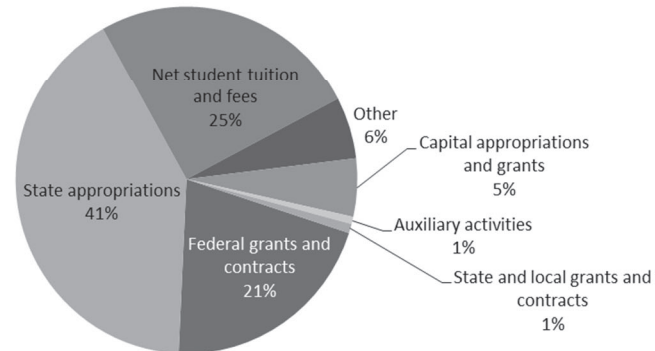
EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2021 and 2020

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

2021 Sources of Revenues



2020 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 2021 expenses were affected by the following:

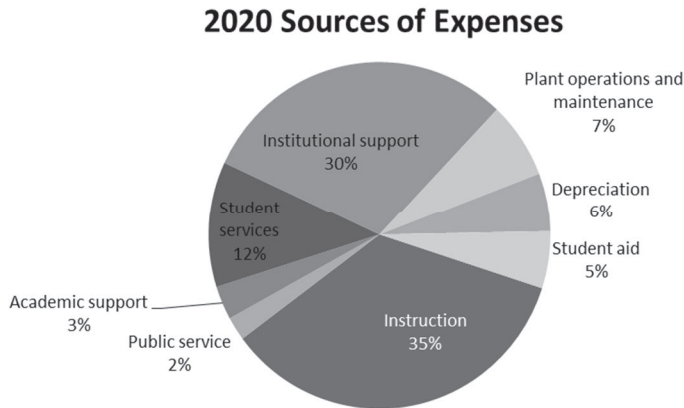
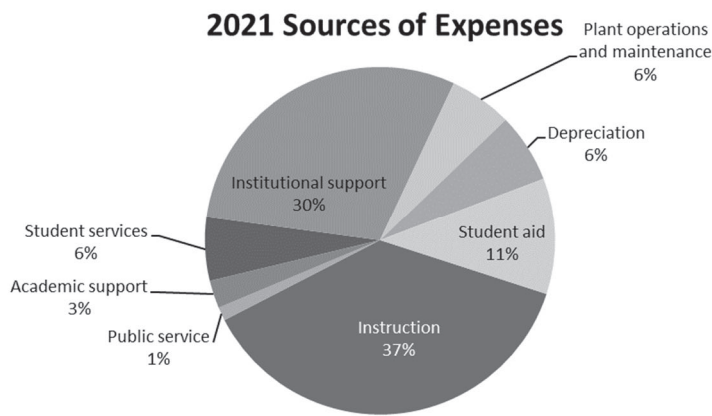
- Student services decreased \$1,301,977, or 54.4%, primarily due to annual adjustments posted to record pension and OPEB activity. The College's 2021 pension adjustment for OPERS reduced student services expenses by \$43,672 and its 2021 OPEB adjustment reduced student services expenses by \$926,919. In 2020, these same adjustments increase student services expenses by a total of \$360,532.
- Student aid spending increased by \$918,013 or 85.3%, primarily due to COVID-19 stimulus funding that was awarded directly to students as emergency grants from the Higher Education Emergency Relief Fund (HEERF).

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2021 and 2020

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 COVID-19 stimulus funding that was awarded directly to students as emergency grants from the HEERF.

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



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 2021 nonoperating revenues and other changes were significantly affected by the following factors:

- Federal grants and contracts increased by 54.0%, or \$2,080,727 primarily due to an increase in federal funding received as a result of COVID-19 stimulus funding, primarily from the HEERF and Coronavirus Relief Fund (CRF) to assist colleges and universities during the COVID-19 Global Pandemic, including funding awarded directly to students.
- State appropriations increased \$1,060,005, or 12.8%, from fiscal year 2020 to fiscal year 2021 due to an increase in its share of State of Ohio funding designated for community colleges.
- Gifts decreased \$977,454, or 94.2%, from fiscal year 2020 to fiscal year 2021 due to a decrease in revenue from the College Foundation corresponding to the construction of the Robinson Career Center completed in 2019.

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

- Federal grants and contracts increased by 21.37%, or \$678,114 primarily due to an increase in federal funding received as a result of COVID-19 stimulus funding, primarily from the HEERF and 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.

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, 2021 and 2020

Cash Flows for the Years Ended June 30, 2021, 2020, and 2019

	2021	2020	2019
Cash (used in) provided by:			
Operating activities	\$ (12,117,291)	\$ (13,335,047)	\$ (11,442,580)
Noncapital financing activities	15,245,582	12,980,686	12,827,265
Capital and related financing activities	(722,776)	(1,394,682)	(2,205,676)
Investing activities	<u>298,566</u>	<u>295,621</u>	<u>309,327</u>
Net increase (decrease) in cash and cash equivalents	2,704,081	(1,453,422)	(511,664)
Cash and cash equivalents - beginning of year	<u>2,375,121</u>	<u>3,828,543</u>	<u>4,340,207</u>
Cash and cash equivalents - end of year	<u>\$ 5,079,202</u>	<u>\$ 2,375,121</u>	<u>\$ 3,828,543</u>

The College's cash position increased by \$2,704,081 in fiscal year 2021. The cash balance increased primarily due to fluctuations in short term, operational asset and liability accounts.

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.

Capital Assets

As of June 30, 2021, the College had approximately \$41.4 million in capital assets, less accumulated depreciation of \$22.4 million, for a net of \$19.0 million invested. Depreciation charges totaled approximately \$1.2 million for the current fiscal year and \$1.1 million and \$1.0 million, respectively for fiscal years 2020 and 2019.

The net book value of capital assets at June 30, 2021, 2020, and 2019 is as follows:

	2021	2020	2019
Land and land improvements	\$ 2,074,226	\$ 2,159,560	\$ 1,397,948
Building and improvements	8,719,346	8,175,502	5,434,649
Student conference center	2,093,524	2,206,687	2,319,851
Center for Excellence	4,886,492	5,045,125	5,203,758
Equipment	1,174,396	1,276,203	1,141,961
Internally developed software	-	-	34,058
Construction in progress	<u>106,693</u>	<u>96,753</u>	<u>2,372,980</u>
Total	<u>\$ 19,054,677</u>	<u>\$ 18,959,830</u>	<u>\$ 17,905,205</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 postemployment benefits other than pensions related to its participation in the Ohio Public Employee Retirement System (OPERS) and State Teachers Retirement Systems (STRS). At June 30, 2021, the College recognized a net OPEB liability of \$0 and a net OPEB asset of \$1,103,459. In addition, the College recognized deferred inflows of resources of \$2,313,042 and deferred outflows of resources of \$507,510 at June 30, 2021. 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, 2021, the College recognized a net pension liability of \$12,316,709. In addition, the College recognized deferred inflows of resources of \$2,193,727 and deferred outflows of resources of \$2,120,595 at June 30, 2021. 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 2021, 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 2021 and expect the same result in FY 2022. 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 is part of a 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.

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2021 and 2020

- **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 has an established College Police Department with 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 College's COVID-19 response allowed Edison State to safely stay open and operational throughout the pandemic. We believe this planning contributed to Edison State being one of the few community colleges to report increased enrollment for the Fall 2021 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 four 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.
- 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 an additional \$5 per credit hour in FY 2021.

Edison's future forecast.

- **Fiscal Year 2022:** We expect net position to increase during FY 2022. This forecast primarily is due to increases in tuition and fees revenue, additional funding from Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). In addition, we expect to continue to see an increase in CCP enrollment, while not sacrificing our efforts to ensure student completion and success.

Due to evolving nature of the COVID-19 pandemic, it is possible that circumstances will continue to change throughout the next fiscal year and beyond. The full impact of COVID-19 and the scope of any continued impact on College finances and operations cannot be fully determined at this time. Adverse consequences of the COVID-19 pandemic may include but are not limited to decline in enrollment; additional decreases in financial support from the State; and reduction in funding support from donors or other external sources.

- **Fiscal Year 2023:** Forecasting an additional year in advance is always difficult. However, we expect FY 2023 financial results to be stronger than our current estimates for FY 2022. We expect the College to continue its success in maintaining 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. We also expect to continue the increase in grants, certificate programs, and workforce training programs in FY 2023, as companies in the region to strive to fill job vacancies with appropriately qualified personnel and upgrade the skills of current employees.

As mentioned above, due to evolving nature of the COVID-19 pandemic, it is possible that circumstances will continue to change our forecasting for FY 2023 and beyond.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
June 30, 2021 and 2020

	College 2021	College 2020	College Related Foundation 2021	College Related Foundation 2020
Assets				
Current Assets				
Cash and cash equivalents	\$ 4,533,418	\$ 2,375,121	\$ 375,884	\$ 587,228
Cash with fiscal agent	545,784	-	-	-
Investments	3,233,344	3,230,311	-	-
Accounts and pledges receivable (net)	2,326,709	2,938,342	7,611	7,677
Prepaid expenses and other	213,122	107,336	3,921	3,715
Inventories	2,701	2,834	-	-
Total current assets	<u>10,855,078</u>	<u>8,653,944</u>	<u>387,416</u>	<u>598,620</u>
Noncurrent Assets				
Restricted investments	487,318	782,754	-	-
Investments	-	-	3,094,538	2,470,973
Net OPEB asset	1,103,459	567,362	-	-
Capital assets, not being depreciated	791,147	781,207	-	-
Capital assets, net of depreciation	<u>18,263,530</u>	<u>18,178,623</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>20,645,454</u>	<u>20,309,946</u>	<u>3,094,538</u>	<u>2,470,973</u>
Total assets	<u>31,500,532</u>	<u>28,963,890</u>	<u>3,481,954</u>	<u>3,069,593</u>
Deferred Outflows of Resources				
OPEB	507,510	794,374	-	-
Pension	2,120,595	2,298,205	-	-
Loss on bond refunding	<u>88,262</u>	<u>104,556</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>2,716,367</u>	<u>3,197,135</u>	<u>-</u>	<u>-</u>
Liabilities				
Current Liabilities				
Accounts payable and accruals	326,209	329,379	1,000	236,855
Accrued salaries, wages, and benefits	1,028,420	921,185	-	-
Claims payable	306,750	-	-	-
Unearned revenues	777,808	662,008	-	-
Long-term debt, current	<u>250,000</u>	<u>245,000</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>2,689,187</u>	<u>2,157,572</u>	<u>1,000</u>	<u>236,855</u>
Noncurrent Liabilities				
Accrued compensated absences	161,081	153,952	-	-
Net OPEB liability	-	3,710,782	-	-
Net pension liability	12,316,709	12,705,503	-	-
Long-term debt	<u>1,410,277</u>	<u>1,668,636</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>13,888,067</u>	<u>18,238,873</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>16,577,254</u>	<u>20,396,445</u>	<u>1,000</u>	<u>236,855</u>
Deferred Inflows of Resources				
OPEB	2,313,042	1,304,493	-	-
Pension	<u>2,193,727</u>	<u>1,973,126</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>4,506,769</u>	<u>3,277,619</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	17,768,662	17,436,749	-	-
Restricted - expendable	124,092	-	1,599,954	1,428,842
Restricted - nonexpendable	-	-	211,759	211,759
Unrestricted	<u>(4,759,878)</u>	<u>(8,949,788)</u>	<u>1,669,241</u>	<u>1,192,137</u>
Total net position	<u>\$ 13,132,876</u>	<u>\$ 8,486,961</u>	<u>\$ 3,480,954</u>	<u>\$ 2,832,738</u>

See Notes to Financial Statements

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2021 and 2020

	College 2021	College 2020	College Related Foundation 2021	College Related Foundation 2020
Operating revenues				
Student tuition and fees	\$ 8,979,576	\$ 8,424,120	\$ -	\$ -
Less grants and scholarships	<u>(2,723,956)</u>	<u>(3,288,617)</u>	-	-
Net student tuition and fees	6,255,620	5,135,503	-	-
Federal grants and contracts	238,818	328,336	-	-
State and local grants and contracts	166,257	172,714	-	-
Auxiliary enterprises - bookstore	143,562	135,516	-	-
Contributions	-	-	214,509	433,546
Other operating revenue	<u>136,935</u>	<u>91,438</u>	-	-
Total operating revenues	<u>6,941,192</u>	<u>5,863,507</u>	<u>214,509</u>	<u>433,546</u>
Operating expenses				
Instruction	6,897,421	7,053,029	-	-
Public service	230,854	443,819	-	-
Academic support	474,313	633,247	-	-
Student services	1,090,486	2,392,463	-	-
Institutional support	5,490,598	6,103,052	187,305	1,240,781
Plant operations and maintenance	1,070,330	1,445,447	-	-
Depreciation and amortization	1,188,847	1,118,008	-	-
Student aid	1,994,250	1,076,237	-	-
Auxiliary enterprises	<u>6,870</u>	<u>7,770</u>	-	-
Total operating expenses	<u>18,443,969</u>	<u>20,273,072</u>	<u>187,305</u>	<u>1,240,781</u>
Operating (loss) income	<u>(11,502,777)</u>	<u>(14,409,565)</u>	<u>27,204</u>	<u>(807,235)</u>
Nonoperating revenues (expenses)				
Federal grants and contracts	5,932,434	3,851,707	-	-
State appropriations	9,351,368	8,291,363	-	-
Gifts	60,336	1,037,790	-	-
Investment income, net of expense	6,163	96,221	621,012	34,489
Interest expense	(62,117)	(66,976)	-	-
Loss on sale of capital assets	<u>(4,365)</u>	<u>-</u>	-	-
Total nonoperating revenues (expenses)	<u>15,283,819</u>	<u>13,210,105</u>	<u>621,012</u>	<u>34,489</u>
Income (loss) before other changes	<u>3,781,042</u>	<u>(1,199,460)</u>	<u>648,216</u>	<u>(772,746)</u>
Other changes				
Capital appropriations	<u>864,873</u>	<u>1,086,491</u>	-	-
Total other changes	<u>864,873</u>	<u>1,086,491</u>	-	-
Change in net position	4,645,915	(112,969)	648,216	(772,746)
Net position at beginning of year	<u>8,486,961</u>	<u>8,599,930</u>	<u>2,832,738</u>	<u>3,605,484</u>
Net position at end of year	<u>\$ 13,132,876</u>	<u>\$ 8,486,961</u>	<u>\$ 3,480,954</u>	<u>\$ 2,832,738</u>

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Student tuition and fees	\$ 7,102,340	\$ 4,526,694
Grants and contracts	384,344	477,578
Payments to vendors and employees	(19,884,472)	(18,566,273)
Auxiliary enterprises	143,562	135,516
Other receipts	136,935	91,438
Net cash used in operating activities	(12,117,291)	(13,335,047)
Cash flows from noncapital financing activities		
State appropriations	9,351,368	8,291,363
Federal grants and contracts	5,833,878	3,651,533
Gifts	60,336	1,037,790
Net cash from noncapital financing activities	15,245,582	12,980,686
Cash flows from capital and related financing activities		
Purchases of capital assets	(423,186)	(1,095,242)
Interest paid on outstanding debt	(54,590)	(59,440)
Principal paid on outstanding debt	(245,000)	(240,000)
Net cash used in capital and related financing activities	(722,776)	(1,394,682)
Cash flows from investing activities		
Proceeds from maturities of investments	1,308,233	3,044,518
Purchase of investments	(1,010,093)	(2,755,185)
Interest on investments	426	6,288
Net cash from investing activities	298,566	295,621
Net increase (decrease) in cash and cash equivalents	2,704,081	(1,453,422)
Cash and cash equivalents, beginning of year	2,375,121	3,828,543
Cash and cash equivalents, end of year	\$ 5,079,202	\$ 2,375,121
Reconciliation of cash and cash equivalents to the Statements of Net Position:		
Cash and cash equivalents	\$ 4,533,418	\$ 2,375,121
Cash with fiscal agent	545,784	-
	\$ 5,079,202	\$ 2,375,121

(continued)

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (11,502,777)	\$ (14,409,565)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,188,847	1,118,008
Other miscellaneous adjustments	-	9,100
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivable	710,189	(561,372)
Inventories	133	(184)
Prepaid expenses and other	(105,786)	(4,637)
Net OPEB asset	(536,097)	(14,321)
Deferred outflows of resources - pension/OPEB	464,474	1,532,393
Accounts payable and accruals	(2,762)	(742,351)
Accrued salaries, wages, and benefits	114,364	132,541
Claims payable	306,750	-
Net OPEB liability	(3,710,782)	362,878
Net pension liability	(388,794)	(1,666,295)
Deferred inflows of resources - pension/OPEB	1,229,150	979,667
Unearned revenues	115,800	(70,909)
Net cash used in operating activities	\$ (12,117,291)	\$ (13,335,047)

Noncash investing, capital, and financing activities:

During the years ended June 30, 2021 and 2020, the College acquired \$864,873 and \$1,077,391, respectively, in capital assets that were funded through State Capital Appropriations. Additionally, during the years ended June 30, 2021 and 2020, the College received \$0 and \$9,100, respectively, 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, 2021 and 2020

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 and COVID-19 stimulus funding, 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 federal grants and contracts.

EDISON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

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, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions/Other Postemployment Benefits (OPEB): For purposes of measuring the net OPEB asset, net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and 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) 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 as an inflow of resources (revenue) until that time. For the College, deferred inflows of resources include pension and OPEB plans 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, 2021, the College implemented GASB Statement No. 84, *Fiduciary Activities* and GASB Statement No. 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 And No. 61*, and GASB Statement No. 93, *Replacement of Interbank Offered Rates*.

GASB Statement No. 84 establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. GASB Statement No. 84 did not impact the College’s financial statements since the College does not have any material fiduciary relationships that meet the criteria of this statement.

GASB Statement No. 90 defines specific reporting and disclosure requirements related to the presentation of majority equity interests in legally separate organizations. In addition, this Statement sets forth specific reporting requirements for component units if a government acquires a 100 percent equity interest. This statement had no effect on beginning net position.

GASB Statement No. 93 provides certain exceptions, clarifications, and changes related to hedge accounting termination provisions and IBORs due to the expected cessation of LIBOR at the end of 2021. This statement had no effect on the College’s financial statements.

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. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. The requirements of GASB Statement No. 97 are effective for fiscal year 2022. The College is currently evaluating the impact GASB Statement No. 97 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 with Fiscal Agent: Effective July 1, 2020, the College became self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2021 and 2020 was \$545,784 and \$0, respectively. This amount is not included in the "cash and cash equivalents" or "investments" reported below.

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.

EDISON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 2 - CASH AND INVESTMENTS (Continued)

At June 30, 2021 and 2020, the carrying amount of the College's cash and cash equivalents was \$4,533,418 and \$2,375,121, respectively, (included in cash and cash equivalents in the statements of net position) and the bank balances were \$4,830,447 and \$2,659,778, respectively, that are placed with federally insured banks. Of the June 30, 2021 and 2020 bank balances, \$569,274 and \$568,940, 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).

Included in cash and cash equivalents above are \$13,097 and \$13,076 at June 30, 2021 and 2020, 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 \$3,720,662 and \$4,013,065 at June 30, 2021 and 2020, 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 Poor's.

The fair value and cost of deposits and investments, by type, at June 30, 2021 and 2020 are as follows:

	2021	2020
Cash	\$ 4,520,321	\$ 2,362,045
STAR Ohio	13,097	13,076
Certificates of deposit	487,318	782,754
Money Market Fund	3,233,344	3,230,311
Total	\$ 8,254,080	\$ 6,388,186

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, 2021 and 2020 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, 2021 and 2020

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, 2021		
		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	\$ 487,318	\$ -	\$ -
	Money Market Fund	3,233,344	-	-
	Total	\$ 3,720,662	\$ -	\$ -

		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	\$ -	\$ -

Net realized and unrealized gains on investments were \$6,163 and \$96,221 for the years ended June 30, 2021 and 2020, 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 \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 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, 2021 and 2020

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2021 and 2020 consist of billings for student fees and receivables arising from grants and are summarized as follows:

	2021	2020
Student charges	\$ 728,248	\$ 887,685
College Credit Plus program	1,358,945	1,289,275
Federal grants and contracts	622,634	536,449
Other	175,855	721,755
Allowance for doubtful accounts	<u>(558,973)</u>	<u>(496,822)</u>
Total	<u>\$ 2,326,709</u>	<u>\$ 2,938,342</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in the capital assets and related accumulated depreciation during the 2021 and 2020 fiscal years:

	Balance June 30, 2020	Additions	Retirements/ Completed CIP	Balance June 30, 2021
Nondepreciable capital assets:				
Land	\$ 684,454	\$ -	\$ -	\$ 684,454
Construction in progress	96,753	106,693	(96,753)	106,693
Total nondepreciable capital assets	<u>781,207</u>	<u>106,693</u>	<u>(96,753)</u>	<u>791,147</u>
Depreciable capital assets:				
Land improvements	2,275,745	-	-	2,275,745
Buildings and improvements	18,778,423	1,024,051	(37,215)	19,765,259
Student conference center	6,202,987	-	-	6,202,987
Center for Excellence	7,138,503	-	-	7,138,503
Equipment	4,962,971	254,068	(207,139)	5,009,900
Internally developed software	227,055	-	-	227,055
Total depreciable capital assets	<u>39,585,684</u>	<u>1,278,119</u>	<u>(244,354)</u>	<u>40,619,449</u>
Less accumulated depreciation:				
Land improvements	800,639	85,334	-	885,973
Buildings and improvements	10,602,921	475,843	(32,851)	11,045,913
Student conference center	3,996,300	113,163	-	4,109,463
Center for Excellence	2,093,378	158,633	-	2,252,011
Equipment	3,686,768	355,874	(207,138)	3,835,504
Internally developed software	227,055	-	-	227,055
Total accumulated depreciation	<u>21,407,061</u>	<u>1,188,847</u>	<u>(239,989)</u>	<u>22,355,919</u>
Total depreciable capital assets - net	<u>18,178,623</u>	<u>89,272</u>	<u>(4,365)</u>	<u>18,263,530</u>
Capital assets - Net	<u>\$ 18,959,830</u>	<u>\$ 195,965</u>	<u>\$ (101,118)</u>	<u>\$ 19,054,677</u>

Construction in progress represents the cost of work performed on the security project, bleachers, courtyard, and parking lot resurfacing through June 30, 2021, including amounts invoiced but not yet paid. Remaining commitments for work yet to be completed totaled \$1,173,257 at June 30, 2021.

EDISON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 4 - CAPITAL ASSETS (Continued)

	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	<u>3,057,434</u>	<u>31,959</u>	<u>(2,308,186)</u>	<u>781,207</u>
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	<u>35,153,054</u>	<u>4,448,860</u>	<u>(16,230)</u>	<u>39,585,684</u>
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	<u>20,305,283</u>	<u>1,118,008</u>	<u>(16,230)</u>	<u>21,407,061</u>
Total depreciable capital assets - net	<u>14,847,771</u>	<u>3,330,852</u>	<u>-</u>	<u>18,178,623</u>
Capital assets - Net	<u>\$ 17,905,205</u>	<u>\$ 3,362,811</u>	<u>\$ (2,308,186)</u>	<u>\$ 18,959,830</u>

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.

NOTE 5 - NONCURRENT LIABILITIES

Noncurrent liabilities as of June 30, 2021 and 2020 are summarized as follows:

	2021					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond obligations	\$ 1,860,000	\$ -	\$ 245,000	\$ 1,615,000	\$ 250,000	\$ 1,365,000
Unamortized bond premium	53,636	-	8,359	45,277	-	45,277
Total	1,913,636	-	253,359	1,660,277	250,000	1,410,277
Net OPEB liability	3,710,782	-	3,710,782	-	-	-
Net pension liability	12,705,503	571,401	960,195	12,316,709	-	12,316,709
Compensated absences	541,303	180,199	17,297	704,205	543,124	161,081
Total	<u>\$ 18,871,224</u>	<u>\$ 751,600</u>	<u>\$ 4,941,633</u>	<u>\$ 14,681,191</u>	<u>\$ 793,124</u>	<u>\$ 13,888,067</u>

EDISON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 5 - NONCURRENT LIABILITIES (Continued)

	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>

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, 2021:

Year Ending June 30	Principal	Interest	Total
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	280,000	14,700	294,700
2027	290,000	5,075	295,075
Total	<u>\$ 1,615,000</u>	<u>\$ 160,450</u>	<u>\$ 1,775,450</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, 2021 are \$45,277.

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, 2021 and 2020

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 \$18,695. The College has a five-year lease agreement effective April 8, 2021 for office equipment. The annual rental expense under the agreement is \$36,720. 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 five-year lease agreement effective July 27, 2021 for office equipment. The annual rent expense under the agreement is \$803. 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 \$193,543.

At June 30, 2021, minimum lease payments under all leases are as follows:

Year Ending		
<u>June 30</u>		
2022	\$	250,067
2023		236,398
2024		240,842
2025		54,501
2026		34,463
Thereafter		<u>401</u>
Total minimum lease payments	\$	<u><u>816,672</u></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 manner in which 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.

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, 2021 and 2020

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, 2021 and 2020, 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 2021 and 2020 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was \$581,894 and \$547,470 for fiscal years 2021 and 2020, respectively. Of this amount, \$33,223 and \$30,701 is reported in *accrued salaries, wages, and benefits* in 2021 and 2020, 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' Comprehensive Annual Financial Report referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 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	Formula: 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	Formula: 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. The amount of a member's pension benefit vest upon receipt of the initial benefit payment.

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 2021 and 2020, 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 \$632,052 and \$499,087 for fiscal years 2021 and 2020, respectively. Of this amount \$57,805 and \$52,018 is reported in *accrued salaries, wages, and benefits* for fiscal years 2021 and 2020, respectively.

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

At June 30, 2021 and 2020, 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, 2021 was measured as of June 30, 2020 for the STRS plan and December 31, 2020 for the OPERS plan. 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 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, 2021 and 2020

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 2021 and 2020:

<u>Fiscal Year 2021</u>	<u>STRS</u>	<u>OPERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 8,146,900	\$ 4,169,809	\$ 12,316,709
Proportion of the Net Pension Liability	0.0336698%	0.0281595%	
Change in Proportion	-0.0005862%	0.0022054%	
Pension Expense	\$ 727,729	\$ 184,745	\$ 912,474
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 18,279	\$ -	\$ 18,279
Net difference between projected and actual earnings on pension plan investments	396,184	-	396,184
Change in assumptions	437,331	-	437,331
Change in College's proportionate share and difference in employer contributions	-	365,744	365,744
College contributions subsequent to the measurement date	581,894	321,163	903,057
	<u>\$ 1,433,688</u>	<u>\$ 686,907</u>	<u>\$ 2,120,595</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ (52,092)	\$ (174,426)	\$ (226,518)
Net difference between projected and actual earnings on pension plan investments	-	(1,625,270)	(1,625,270)
Change in the College's proportionate share and difference in employer contributions	(341,939)	-	(341,939)
	<u>\$ (394,031)</u>	<u>\$ (1,799,696)</u>	<u>\$ (2,193,727)</u>

EDISON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 8 - RETIREMENT PLANS (Continued)

<u>Fiscal Year 2020</u>	<u>STRS</u>	<u>OPERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 7,575,499	\$ 5,130,004	\$ 12,705,503
Proportion of the Net Pension Liability	0.0342560%	0.0259541%	
Change in Proportion	-0.0001607%	0.0011098%	
Pension Expense	\$ 762,653	\$ 880,897	\$ 1,643,550
Deferred Outflows of Resources			
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>
Deferred Inflows of Resources			
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>

\$903,057 reported as deferred outflows of resources related to pension at June 30, 2021 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, 2022. Other 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>
2022	\$ 72,566	\$ (424,724)	\$ (352,158)
2023	47,983	(125,050)	(77,067)
2024	185,626	(662,515)	(476,889)
2025	151,588	(221,663)	(70,075)
	<u>\$ 457,763</u>	<u>\$ (1,433,952)</u>	<u>\$ (976,189)</u>

EDISON STATE COMMUNITY COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 Years Ended June 30, 2021 and 2020

NOTE 8 - RETIREMENT PLANS (Continued)

Actuarial Assumptions – STRS

The total pension liability in the July 1, 2020 and 2019 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 the July 1, 2020 and 2019 measurements 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, 2021 and 2020

NOTE 8 - RETIREMENT PLANS (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.45% as of June 30, 2020 and 2019. 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, 2020 and 2019. 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, 2020 and 2019.

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 2021</u>			
College's proportionate share of the net pension liability	\$ 11,599,767	\$ 8,146,900	\$ 5,220,883
 <u>Fiscal Year 2020</u>			
College's proportionate share of the net pension liability	\$ 11,070,747	\$ 7,575,499	\$ 4,616,592

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 prior two actuarial valuations were determined using the following actuarial assumptions:

	<u>2020 Valuation</u>	<u>2019 Valuation</u>
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	3.00% Simple	3.00% Simple
Post 1/7/2013 retirees	0.50% Simple through 2021, then 2.15% Simple	1.40% Simple through 2020, then 2.15% Simple
Investment rate of return	7.20%	7.20%
Actuarial cost method	Individual entry age6+63	Individual entry age

EDISON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

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 2020 and 2019, 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 11.7% and 17.2% for 2020 and 2019, 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 2020 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%	1.32%
Domestic Equities	21.00%	5.64%
Real Estate	10.00%	5.39%
Private Equity	12.00%	10.42%
International Equities	23.00%	7.36%
Other Investments	9.00%	4.75%
Total	100.00%	5.43%

EDISON STATE COMMUNITY COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 Years Ended June 30, 2021 and 2020

NOTE 8 - RETIREMENT PLANS (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
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>

Discount Rate – The discount rate used to measure the total pension liability was 7.20% for valuation dates of December 31, 2020 and 2019, respectively. 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 2021 and 2020, 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:

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
<u>Fiscal Year 2021</u>			
College's proportionate share of the net pension liability	\$ 7,953,837	\$ 4,169,809	\$ 1,023,304
<u>Fiscal Year 2020</u>			
College's proportionate share of the net pension liability	\$ 8,461,327	\$ 5,130,004	\$ 2,135,577

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 \$124,659 and \$126,534 and the College contributions to the Plan providers amounted to \$110,677 and \$115,106, respectively, for the years ended June 30, 2021 and 2020. In addition, the amounts contributed to STRS and OPERS by the College on behalf of ARP participants were \$35,758 and \$35,811, respectively, for the years ended June 30, 2021 and 2020. 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 partial premium reimbursements will be continued indefinitely. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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, 2021 and 2020, 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' Comprehensive Annual Financial Report 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 2021 and 2020, 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 2021 and 2020. 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 2021 and 2020 was 4.0%.

EDISON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

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, 2020 and 2019, 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 asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019 and 2018, rolled forward to the measurement date of December 31, 2020 and 2019, 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 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 2021</u>	<u>STRS</u>	<u>OPERS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Asset	\$ (591,747)	\$ (511,712)	\$ (1,103,459)
Proportion of the Net OPEB Asset	0.0336698%	0.0287223%	
Change in Proportion	-0.0005862%	0.0018571%	
OPEB Expense	\$ (56,059)	\$ (2,895,407)	\$ (2,951,466)
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 37,916	\$ -	\$ 37,916
Net difference between projected and actual earnings on OPEB plan investments	20,738	-	20,738
Change in assumptions	9,770	251,563	261,333
Difference between employer contributions and proportionate share of contributions	-	187,523	187,523
	<u>\$ 68,424</u>	<u>\$ 439,086</u>	<u>\$ 507,510</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ (117,866)	\$ (461,816)	\$ (579,682)
Net difference between projected and actual earnings on OPEB plan investments	-	(272,544)	(272,544)
Change in assumptions	(562,059)	(829,125)	(1,391,184)
Difference between employer contributions and proportionate share of contributions	(69,632)	-	(69,632)
	<u>\$ (749,557)</u>	<u>\$ (1,563,485)</u>	<u>\$ (2,313,042)</u>

EDISON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

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

<u>Fiscal Year 2020</u>	<u>STRS</u>	<u>OPERS</u>	<u>Total</u>
Proportionate Share of the Net			
OPEB Liability (asset)	\$ (567,362)	\$ 3,710,782	\$ 3,143,420
Proportion of the Net OPEB			
Liability (asset)	0.0342560%	0.0268652%	
Change in Proportion	-0.0001606%	0.0011864%	
OPEB Expense	\$ (195,234)	\$ 548,352	\$ 353,118
 Deferred Outflows of Resources			
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>
 Deferred Inflows of Resources			
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>

Other 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>
2022	\$ (173,678)	\$ (556,219)	\$ (729,897)
2023	(159,641)	(417,629)	(577,270)
2024	(154,715)	(118,437)	(273,152)
2025	(137,087)	(32,114)	(169,201)
2026	(27,283)	-	(27,283)
2027	(28,729)	-	(28,729)
	<u>\$ (681,133)</u>	<u>\$ (1,124,399)</u>	<u>\$ (1,805,532)</u>

EDISON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

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

Actuarial Assumptions – STRS:

The total OPEB asset in the June 30, 2020 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	5.00%	4.00%
Medicare	-6.69%	4.00%
Prescription Drug		
Pre-Medicare	6.50%	4.00%
Medicare	11.87%	4.00%

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%

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, 2020 and 2019 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 AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

EDISON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

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 the July 1, 2020 and 2019 measurements 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, 2020 and 2019. 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 as of June 30, 2020. 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, 2020 and 2019.

Sensitivity of the College's Proportionate Share of the Net OPEB (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 (asset) for fiscal years 2021 and 2020, calculated using the current period discount rate assumption of 7.45%, as well as what the College's proportionate share of the net OPEB (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.

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
<u>Fiscal Year 2021</u>			
College's proportionate share of the net OPEB asset	\$ (514,859)	\$ (591,747)	\$ (656,984)
<u>Fiscal Year 2020</u>			
College's proportionate share of the net OPEB asset	\$ (484,129)	\$ (567,362)	\$ (637,339)

EDISON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

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

Also shown is the net OPEB (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 2021</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 asset	\$ (652,935)	\$ (591,747)	\$ (517,211)
<u>Fiscal Year 2020</u>			
College's proportionate share of the net OPEB asset	\$ (643,361)	\$ (567,362)	\$ (474,279)

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 2021 was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. 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, 2019
Rolled-forward measurement date	December 31, 2020
Actuarial cost method	Individual entry age normal
Actuarial Assumptions:	
Single discount rate	6.00%
Investment rate of return	6.00%
Municipal bond rate	2.00%
Wage inflation	3.25%
Projected salary increases	3.25% - 10.75%, including wage inflation
Health care cost trend rate	8.5% initial, 3.50% ultimate in 2035

EDISON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

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

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.

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%, including wage inflation
Health care cost trend rate	10.5% initial, 3.50% ultimate in 2030

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 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 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 2020 and 2019, 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 10.5% and 19.7% for 2020 and 2019, 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, 2021 and 2020

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

The table below displays the OPERS Board-approved asset allocation policy for 2020 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%	1.07%
Domestic Equities	25.00%	5.64%
REITs	7.00%	6.48%
International Equities	25.00%	7.36%
Other Investments	<u>9.00%</u>	<u>4.02%</u>
Total	<u>100.00%</u>	<u>4.43%</u>

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>

Discount Rate – A single discount rate of 6.00% was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. 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 2.00%. 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 2.75%. 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 the year 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

EDISON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

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

Sensitivity of the College's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount 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 single discount rate of 6.00% and 3.16%, 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:

<u>Fiscal Year 2021</u>	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net OPEB (asset)	\$ (127,282)	\$ (511,712)	\$ (828,048)

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

Sensitivity of the College's Proportionate Share of the Net OPEB Liability (Asset) 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 (asset). The following table presents the net OPEB liability (asset) calculated using the assumed trend rates, and the expected net OPEB liability (asset) 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 2021 is 8.50% and starting in 2020 is 10.50%. 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.

<u>Fiscal Year 2021</u>	1% Decrease In Trend Rates	Current Trend Rates	1% Increase In Trend Rates
College's proportionate share of the net OPEB (asset)	\$ (524,354)	\$ (511,712)	\$ (497,921)

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

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 non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation and significantly decreased the total OPEB liability as of the measurement date.

EDISON STATE COMMUNITY COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 Years Ended June 30, 2021 and 2020

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.

Employee Group Medical/Surgical, Dental, and Vision Insurance

Medical/surgical, dental, and vision insurance is offered to employees through a self-insurance program. Beginning July 1, 2020, the College changed from traditional insurance coverage to being a member of the JHP Health Benefits Program, a claims servicing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the College's behalf. The claims liability of \$306,750 reported in Accounts Payable and accrued liabilities at June 30, 2021 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for unpaid claim costs, including estimates of costs related to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for fiscal year 2021 is as follows:

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2021	\$ -	\$ 2,635,087	\$ (2,328,337)	\$ 306,750

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 State of Ohio's declared state of emergency ended June 2021, while the national state of emergency continues. The financial impact of COVID-19 and the ensuing emergency measures impacted fiscal year 2021, 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 \$2,080,621 and \$3,050,948 for student loans through the U.S. Department of Education federal direct lending program for the years ended June 30, 2021 and 2020, respectively. These distributions and related funding source are not included as expenses or revenue in the accompanying financial statements.

EDISON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

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.

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, 2021 and 2020.

As of June 30, 2021 and 2020, contributors to the Foundation have outstanding unconditional pledges totaling \$7,611 and \$7,677, 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.

EDISON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 13 - RELATED ORGANIZATION (Continued)

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 or condition 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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Corporate bonds	\$ 379,255	\$ 421,914
Common stocks	1,980,060	1,466,790
Mutual funds - REITS	98,736	-
Mutual funds - Fixed income	526,048	389,994
Mutual funds - Equities	<u>110,439</u>	<u>192,275</u>
Total	<u>\$ 3,094,538</u>	<u>\$ 2,470,973</u>

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, 2021 and 2020 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.

EDISON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 13 - RELATED ORGANIZATION (Continued)

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, 2021 and 2020, there were no transfers between levels of the fair value hierarchy.

	Fair Value Measurements			
	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, 2021
Assets:				
Fixed income - Domestic (1)	\$ 526,048	\$ 379,255	\$ -	\$ 905,303
Equities - Domestic	2,090,499	-	-	2,090,499
Equities - REITs	98,736	-	-	98,736
	\$ 2,715,283	\$ 379,255	\$ -	\$ 3,094,538

	Fair Value Measurements			
	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
	\$ 2,049,059	\$ 421,914	\$ -	\$ 2,470,973

(1) The fair value of certain fixed-income securities at June 30, 2021 and 2020 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 \$566,703 and \$(17,060) for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, the College was reimbursed by the Foundation for \$20,934 and \$19,940, respectively, of salaries expense paid by the College on the Foundation's behalf. The College received \$40,759 and \$1,009,345 in grants from the Foundation during the years ended June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, the College had accounts receivable from the Foundation of \$1,000 and \$236,855, respectively.

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 Seven 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%
2021	0.033670%	8,146,900	3,910,500	208.33%	75.50%

(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 Seven 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%
2021	0.028160%	4,169,809	3,564,907	116.97%	86.88%

(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 Eight 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%
2021	581,894	(581,894)	-	4,156,386	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 Eight 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%
2021	632,052	(632,052)	-	4,514,657	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 Five 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%
2021	0.033670%	(591,747)	3,910,500	(15.13%)	182.1%

(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.

For measurement year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2021 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

EDISON STATE COMMUNITY COLLEGE

Required Supplementary Information

Schedule of College's Proportionate Share of the Net OPEB Liability (Asset)

Ohio Public Employees Retirement System

Last Five 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	0.023389%	\$ 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%
2021	0.028722%	(511,712)	3,564,907	(14.35%)	115.57%

(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.

In 2021, the single discount rate changed from 3.16% to 6.00% and the health care cost trend rate changed from 10.5% initial, 3.50% ultimate in 2030 to 8.5% 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 Six 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%
2021	-	-	-	4,156,386	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 Six 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%
2021	-	-	-	4,514,657	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

**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, 2021, 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 12, 2021.

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 12, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE 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, 2021. 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, 2021.

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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 12, 2021

Edison State Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

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 Assistance Cluster:</u>			
Federal Supplemental Educational Opportunity Grants	(1)	84.007	\$ 105,125
Federal Work-Study Program	(1)	84.033	9,834
Federal Pell Grant Program	(1)	84.063	2,608,998
Federal Direct Student Loans	(1)	84.268	<u>2,080,621</u>
Total Student Financial Assistance Cluster			<u>4,804,578</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>78,154</u>
Total Title I Program			<u>78,154</u>
COVID-19 - Education Stabilization Fund:			
<i>Passed through Ohio Department of Higher Education:</i>			
Governor's Emergency Education Relief (GEER) Fund	N/A	84.425C	8,780
Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	(1)	84.425E	738,357
HEERF Institutional Portion	(1)	84.425F	2,142,528
HEERF Strengthening Institutions Program	(1)	84.425M	<u>64,080</u>
Total Education Stabilization Fund			<u>2,953,745</u>
Total U.S. Department of Education			<u>7,836,477</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	9,119
<i>Passed through American Association of Community Colleges:</i>			
Apprenticeship USA Grants	AP-33025-19-75-A-11	17.285	<u>39,950</u>
Total Apprenticeship USA Grants			<u>49,069</u>
Total U.S. Department of Labor			<u>49,069</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>359,502</u>
Total U.S. Department of the Treasury			<u>359,502</u>
<u>U.S. Department of Health and Human Services</u>			
<u>CCDF Cluster:</u>			
<i>Passed through Ohio Department of Jobs and Family Services:</i>			
Child Care and Development Block Grant	N/A	93.575	5,820
<i>Passed through Ohio Department of Education:</i>			
Child Care and Development Block Grant	403948	93.575	<u>3,023</u>
Total CCDF Cluster			<u>8,843</u>
Total U.S. Department of Health and Human Services			<u>8,843</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 8,253,891</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, 2021

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, 2021. 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, which is described in Note 1 to the College's 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, 2021.

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 – FEDERAL WORK-STUDY AND FEDERAL SEOG WAIVER

For the year ended June 30, 2021, the College received a waiver from the Department of Education for the Institutional Share Requirement under the Federal Work-study and Federal Supplemental Educational Opportunity Grant programs.

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:	

- Education Stabilization Fund
- ALN 84.425C – Governor’s Emergency Education Relief (GEER) Fund
- ALN 84.425E – Higher Education Emergency Relief Fund (HEERF) Student Aid Portion
- ALN 84.425F – HEERF Institutional Portion
- ALN 84.425M – HEERF Strengthening Institutions Program

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 11/4/2021

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