

**Eastern Gateway Community College**

**Audit Report**

**For the year ended June 30, 2010**





# Dave Yost • Auditor of State

January 20, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

A handwritten signature in cursive script that reads "Dave Yost".

DAVE YOST  
Auditor of State

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Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Eastern Gateway Community College, Jefferson County, prepared by S.R. Snodgrass, A.C., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 7, 2011

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**Eastern Gateway Community College  
Audit Report  
For the year ended June 30, 2010**

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## **Independent Accountants' Report**

Board of Trustees  
Eastern Gateway Community College  
Steubenville, Ohio

We have audited the accompanying basic financial statements of Eastern Gateway Community College, (a non-profit organization) and the discretely presented component unit, as of June 30, 2010, as listed in the table of contents. These basic financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respect, the financial position of Eastern Gateway Community College and the discretely presented component unit as of June 30, 2010, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis on pages 3 - 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Eastern Gateway Community College taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*S. R. Smolgrass, A.C.*

Steubenville, Ohio  
November 19, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

This section of Eastern Gateway Community College's Annual Financial Report presents management's discussion and analysis of the college's financial activity during the fiscal year ended June 30, 2010.

### **USING THIS ANNUAL REPORT**

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

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

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

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

The Statement of Revenues, Expenses and Changes in Net Assets acts as a statement of the College's operations. Revenues and expenses on the accrual basis of accounting are detailed by operating type, and the reconciliation between the beginning and ending Net Assets is presented.

The Statement of Cash Flows presents the sources and uses of all cash transactions conducted by the College, broken down by type of functional activity. This statement assists the reader in determining the College's ability to generate future cash flows, meet its obligations as they become due and assess the need for additional funding or financing.

These statements can help the reader understand what the financial health of the College is at the end of the fiscal year, as well as indicating the changes in financial position since the end of the prior year. Over time, increases in net assets, which are the result of the College's keeping expenses lower than revenues, indicate a strengthening of the College's financial health.

## **ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The economic position of Eastern Gateway Community College is closely tied to that of the state. The current conditions in Ohio mirror that of many other states. State and federal government leaders seem determined to continue to support community college activities despite the budget constraints at each level. Support for Ohio public colleges were subsidized by federal stimulus dollars for fiscal year 2010 and will also be subsidized in 2011.

Jefferson Community College officially became Eastern Gateway Community College in October 2009. Eastern Gateway Community College, authorized by the Ohio General Assembly in July 2009, will serve Trumbull, Mahoning, Columbiana, and Jefferson Counties in eastern Ohio and the Mahoning Valley. This has opened a large market for potential enrollment increases for the college.

The college received a \$1.9 million Department of Labor grant to help fund the expansion to the northern counties.

Eastern Gateway makes community college education accessible and affordable by integrating the College into all aspects of the community. Classes began in August 2009. Students may take college classes from the comfort of their own home, on their own time, using the Internet. Learners in all four counties will be able to interact with one another through video conferencing without leaving their own community. And, traditional classes are being offered through use of existing facilities to help keep the cost of a college education down. To start, a total of six locations will be serving students—the four career and technical centers within the Mahoning Valley, the Jefferson County Campus of Eastern Gateway and the Valley Center at Forum Health Northside Medical Center in Youngstown. An additional location in Warren, Ohio is scheduled to open within the next year.

Partnerships are the foundation upon which Eastern Gateway has been established. The College is using its own programs and borrowing existing community college programs that meet higher education standards to save time and money associated with the development and delivery of new programs. Through Eastern Gateway, a variety of well established and industry-accredited community college programs are available to residents of eastern Ohio and the Mahoning Valley.

The base of the college is built upon the 40-year history of Jefferson Community College, a comprehensive community college offering all the students and support services the students require. The college is expanding into the new college.

In addition to partnerships with the other community colleges, Eastern Gateway will work closely with local universities so credits from a two-year degree are easily transferable to a bachelor or graduate degree.

The college outsourced the preschool of the college in July 2009. Annually, the college's expenses exceeded the income generated by the preschool operation. The outsourcing arrangement allowed the college to maintain a preschool on campus for students, without any financial or personnel burden on the college.

The college's current one (1) mill levy to support the Jefferson County Campus is up for renewal in 2016. The proceeds from this levy currently generate approximately 1.1 million dollars. Approximately \$425,000 of this amount is being subsidized by the State of Ohio. This subsidy amount is primarily in regards to utility and property deregulation and is scheduled to completely phase out by the year 2018. A detailed schedule of this phase out period and amounts is listed in the footnotes of the college's financial statements.

## CAPITAL PROJECTS

In fiscal year 2010, the college completed renovations of its biology and chemistry labs using primarily state funding. The total cost of the science lab renovations were approximately \$942,000.

The college will begin the process of renovating the second floor of the Pugliese Training Center in the fall of 2010. This project will include the addition of some administrative offices, as well as the development of a wellness center for staff and students. The college also has plans to expand the bookstore to handle the growth in enrollment that the college is experiencing. The funding will come from a shared arrangement with Nebraska Book, the college's outside bookstore vendor and state supplied capital funds.

## SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the changes in net assets from fiscal year 2009 to fiscal year 2010 for the college.

<b>Net Assets</b>	<b><u>June 30, 2009</u></b>	<b><u>June 30, 2010</u></b>
Invested in capital assets, net of related debt	\$10,012,539	\$10,727,748
Bond Fund	(1,170,531)	(957,506)
Restricted for: Expendable		
Scholarships	269,721	270,547
Capital	601,494	470,096
Educational and General	1,533,561	956,197
Unrestricted (General and Auxiliary)	<u>3,198,560</u>	<u>2,995,701</u>
Total Net Assets	<u>\$14,445,344</u>	<u>\$14,462,783</u>

The amount invested in capital assets increased primarily because of the addition of the science labs' renovation projects.

The bond fund reflects the annual reduction in bond principle for the Pugliese Training Center building that will be completely paid off in September 2013.

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

The restricted capital net assets reflect the unspent state funds received by the college that are available for future capital purchases or improvements. The college currently receives an annual allocation for these types of purchases. In fiscal year 2010, these funds were used to pay for some of the science labs projects, as well as the annual principle payment for the Pugliese Training Center.

The restricted educational and general net assets represent various grant funds that have been received but not yet expended. These funds decreased substantially in fiscal year 2010 because the college spent down various grant amounts.

The unrestricted net assets of the college decreased by \$202,859 in fiscal year 2010. This decrease was primarily due to spending on various projects approved by the college board of trustees.

**SUMMARY OF FINANCIAL INFORMATION (CONTINUED)**

**FY 2009 AND 2010 UNRESTRICTED REVENUES AND EXPENSES BY CATEGORY**

<b>Revenue</b>	<b>FY 2009</b>		<b>FY 2010</b>	
	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>
Tuition and Fees	\$4,403,922	40.92	\$5,039,978	44.23
State Appropriations	4,637,645	43.08	4,128,904	36.24
Federal Stimulus Funds used to Subsidize State Appropriations	-	0.00	689,969	6.06
Levy Funds	1,188,815	11.04	1,129,496	9.91
Other	297,373	2.76	229,046	2.01
Auxiliary	236,891	2.20	176,729	1.55
<b>Total Unrestricted Revenue</b>	<b>\$10,764,646</b>	<b>100.00</b>	<b>\$11,394,122</b>	<b>100.00</b>
<b>Expenses</b>	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>
Wages and Salaries	\$5,228,700	49.84	\$5,659,327	48.56
Fringe Benefits	1,930,296	18.40	2,226,838	19.10
Scholarships and Bad Debt Expense	634,177	6.04	752,226	6.45
Supplies	342,191	3.26	438,577	3.76
Maintenance and Repairs	330,857	3.15	373,866	3.21
Utilities and Telephone Expenses	341,729	3.26	358,411	3.07
Marketing Expenses	204,390	1.95	338,119	2.90
Outside Professional Services	353,923	3.37	315,902	2.71
Software and Capital Expenses	385,495	3.67	297,271	2.55
Travel and Professional Development	130,838	1.25	137,823	1.18
All Other Expenses	609,371	5.81	758,669	6.51
<b>Total Unrestricted Expenses</b>	<b>\$10,491,967</b>	<b>100.00</b>	<b>\$11,657,029</b>	<b>100.00</b>

**Eastern Gateway Community College**  
**STATEMENT OF NET ASSETS**  
**June 30, 2010**

	Primary Institution	Component Unit
	Eastern Gateway Community College	Eastern Gateway Community College Foundation
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 532,538	\$ 12,897
Investments	3,200,000	215,000
Property tax receivable	839,571	-
Other receivables	1,135,996	750
Inventory	25,674	-
Other assets	273,817	-
Total current assets	<u>\$ 6,007,596</u>	<u>\$ 228,647</u>
Noncurrent Assets		
Restricted cash and cash equivalents	\$ 2,737	\$ -
Endowment investments	41,073	-
Capital assets, gross	20,082,842	-
Accumulated depreciation	(9,355,094)	-
Total assets	<u>\$16,779,154</u>	<u>\$ 228,647</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 389,997	\$ -
Accrued wages	80,392	-
Deferred revenue	225,339	-
Deposits	29,319	-
Bond interest payable	33,896	-
Long term liabilities, current portion	234,378	-
Total current liabilities	<u>\$ 993,321</u>	<u>\$ -</u>
Noncurrent Liabilities		
Compensated absences	\$ 599,921	\$ -
Bond payable	723,128	-
Total Liabilities	<u>\$ 2,316,370</u>	<u>\$ -</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 9,770,242	\$ -
Restricted For: Expendable		
Scholarships	270,548	209,093
Capital	470,096	-
Educational and general	956,197	-
Unrestricted	2,995,701	19,554
Total Net Assets	<u>14,462,784</u>	<u>228,647</u>
Total liabilities and net assets	<u>\$16,779,154</u>	<u>\$ 228,647</u>

The accompanying notes are an integral part of this statement

**Eastern Gateway Community College**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**JUNE 30, 2010**

	Primary Institution	Component Unit
	Eastern Gateway Community College	Eastern Gateway Community College Foundation
<b>REVENUES</b>		
Operating Revenues		
Tuition and student fees, net	\$ 2,959,288	\$ -
Auxiliary enterprises revenue	176,729	-
State grants and contracts	373,756	-
Federal grants and contracts	1,587,305	-
Local grants and contracts	6,892	-
Other operating revenue	149,453	-
Donations	-	42,874
Total operating revenues	<u>\$ 5,253,423</u>	<u>\$ 42,874</u>
<b>EXPENSES</b>		
Operating expenses:		
Education and General	\$ 6,101,304	\$ 4,084
Public Service	826,344	-
Academic Support	626,939	-
Student services	2,167,657	-
Institutional support	3,008,628	-
Operation and maintenance of plant	808,805	-
Scholarships and fellowships	640,737	40,464
Auxiliary enterprises	49,125	-
Depreciation	463,050	-
Total operating expenses	<u>\$14,692,589</u>	<u>\$ 44,548</u>
Operating (loss) income	<u>\$ (9,439,166)</u>	<u>\$ (1,674)</u>
<b>NON-OPERATING REVENUES</b>		
Capital Funds (bond retirement)	\$ 213,025	\$ -
State grants and contracts	4,878,823	-
Federal grants and contracts	2,770,660	-
Local grants and contracts	100	-
Capital grants and contracts	714,518	-
Investment income	105,543	845
Property taxes	773,937	-
Total non operating revenues	<u>\$ 9,456,606</u>	<u>\$ 845</u>
Increase in net assets	17,440	(829)
Net assets - beginning of year	<u>14,445,344</u>	<u>229,476</u>
Net assets - end of year	<u>\$14,462,784</u>	<u>\$ 228,647</u>

The accompanying notes are an integral part of this statement

**Eastern Gateway Community College  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Primary Institution</u>
	<u>Eastern Gateway Community College</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 2,934,542
Grants and contracts	1,814,627
Payments to suppliers	(6,106,714)
Payroll and fringe benefits	(8,220,603)
Auxiliary enterprise charges	210,778
Other Income	<u>149,453</u>
Net cash used by operating activities	<u>\$ (9,217,917)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Local property taxes	\$ 765,567
State appropriations	4,119,804
Grants and contracts	<u>3,521,579</u>
Net cash provided by non-capital financing activities	<u>\$ 8,406,950</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	\$(1,178,259)
Capital financing	<u>706,977</u>
Net cash provided by capital and related financing activities	<u>\$ (471,282)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	\$ 90,632
Proceeds from maturing CD's	1,250,000
Purchase of long term CD's and investments	<u>(1,000,000)</u>
Net cash provided by investing activities	<u>\$ 340,632</u>
Net increase (decrease) in cash	<u>(941,617)</u>
<b>Cash, Beginning of Year</b>	<u>1,476,892</u>
<b>Cash, End of Year</b>	<u>\$ 535,275</u>

The accompanying notes are an integral part of this statement.



**Eastern Gateway Community College**  
**STATEMENT OF CASH FLOWS – continued**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Primary Institution</u>
	<u>Eastern Gateway Community College</u>
Operating loss	\$(9,439,166)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation	463,050
Net changes in:	
Receivables	(168,405)
Inventories	2,764
Other assets	(67,008)
Accounts payable and other liabilities	(34,913)
Accrued wages	8,850
Deferred revenue	(45,397)
Deposits held	896
Compensated absences	<u>61,412</u>
Net cash used by operating activities	<u><u>\$(9,217,917)</u></u>

The accompanying notes are an integral part of this statement.

**Eastern Gateway Community College**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**1. DESCRIPTION OF THE REPORTING ENTITY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES**

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The College reports as a Business Type Activity. Business Type Activities are those activities that are financed in whole or in part by fees charged to external parties for goods and services. Pursuant to provisions of GASB Statement No. 35, the full scope of the College's activities is considered to be a single business type activity and accordingly, is reported within a single column in the basic financial statements. Restricted grant revenue is recognized only to the extent expended.

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

**Estimates**

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

**Net Assets**

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

Effective July 1, 2002 the College adopted GASB No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities, as amended by GASB Statements No. 37 and No. 38. GASB No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net assets categories:

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

**Eastern Gateway Community College**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES**  
**(CONTINUED)**

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

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

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

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

**Cash Equivalents**

For the purposes 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.

**Investments**

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets.

**Accounts Receivable**

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Ohio. Accounts receivable also include amounts due from the Federal 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. Property taxes receivable include estimated amounts due at June 30, 2010.

**Eastern Gateway Community College**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES**  
**(CONTINUED)**

**Capital Assets**

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

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

**Deferred Revenues**

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

**Compensated Absences**

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

Employee vacation and sick pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences payable in the statements of net assets, and as a component of compensation and benefit expense in the statements of revenues, expenses, and changes in net assets. The college is applying the termination method to calculate compensated absences.

**Eastern Gateway Community College**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES**  
**(CONTINUED)**

**Noncurrent Liabilities**

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

**Income Tax**

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

**Classification of Revenues**

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

Operating revenue: Operating revenues include activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of external scholarship discounts and allowances, and (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts and federal appropriations.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* such as state appropriations, investment income and property taxes.

**Scholarship Discounts and Allowances**

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

**Eastern Gateway Community College**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**3. CHANGES IN ACCOUNTING PRINCIPLES**

For 2010, the College has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Derivative Intangible Assets", Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any material change to the College's financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the College's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the College's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the College's financial statements.

**4. DEPOSITS AND INVESTMENTS**

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

**Eastern Gateway Community College**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**4. DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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

As of June 30, 2010, the College had the following deposits and investments:

<u>Description</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PNC Bank Checking and Savings Accounts	\$ 535,275	\$ 675,060
Wesbanco CD's	2,400,000	2,400,000
Huntington Bank CD's	800,000	800,000
Various Corporate Stock	<u>41,073</u>	<u>41,073</u>
Total Deposits and Investments	<u>\$3,776,348</u>	<u>\$3,916,133</u>

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

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

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

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. Of the bank balance of \$3,916,133, the Federal Depository Insurance Corporation insured \$750,000 and the balance of \$3,166,133 was exposed to custodial credit risk because it was collateralized by U.S. Government Securities not in the College's name.

The application of GASB 40 does not have a material impact on the foundation's financial position or results of operations.

**5. ACCOUNTS RECEIVABLE**

Receivables at June 30, 2010 consisted of accounts (tuition and other fees), notes, interest and intergovernmental grants. All receivables, except for doubtful accounts receivable in collection with the Ohio Attorney General, are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal awards.

**Eastern Gateway Community College**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**6. CAPITAL ASSETS**

Changes in capital assets at June 30, 2010 is composed of the following:

Description	Balance at July 1, 2009	Increases	Decreases	Balance at June 30, 2010
Capital Assets, Non-Depreciable:				
Land	\$ 629,200	\$ -	\$ -	\$ 629,200
Total Non-Depreciable	629,200	-	-	629,200
Capital Assets, Depreciable:				
Buildings and Building Improvements	\$16,555,220	\$ 942,418	\$ -	\$17,497,638
Equipment and Furniture	<u>1,720,163</u>	<u>235,841</u>	-	<u>1,956,004</u>
Total Depreciable	18,275,383	1,178,259	-	19,453,642
Less Accumulated Depreciation:				
Buildings and Building Improvements	\$(7,570,209)	\$(355,772)	\$ -	\$ (7,925,981)
Equipment and Furniture	<u>(1,321,835)</u>	<u>(107,278)</u>	-	<u>(1,429,113)</u>
Total Accumulated Depreciation	(8,892,044)	(463,050)	-	(9,355,094)
 Total Capital Assets, Depreciable, net	 <u>9,383,339</u>	 <u>715,209</u>	 <u>-</u>	 <u>10,098,548</u>
 Capital Assets, net	 <u>\$10,012,539</u>	 <u>\$ 715,209</u>	 <u>\$ -</u>	 <u>\$10,727,748</u>

**7. STATE SUPPORT**

Eastern Gateway Community College is a state-assisted institution of higher education, which receives a student enrollment-based instructional subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the Ohio Board of Regents, adjusted to state resources available.

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

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



**Eastern Gateway Community College**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**8. LONG TERM LIABILITIES**

The College's long term liabilities consisted of the following at June 30, 2010:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Current</u> <u>Portion</u>
Compensated Absences	\$ 538,509	\$92,362	\$ (30,950)	\$ 599,921	\$ 11,298
Bond Payable	<u>1,170,531</u>	<u>-</u>	<u>(213,025)</u>	<u>957,506</u>	<u>223,080</u>
	<u>\$1,709,040</u>	<u>\$92,362</u>	<u>\$(243,975)</u>	<u>\$1,557,427</u>	<u>\$234,378</u>

In October 2003, the college issued Series 2003 Bonds totaling \$2,100,000 to finance the purchase and renovation of the neighboring American Electric Power building. Purchasing the building will facilitate the growth of the college in both size and programs offered. The bonds will mature on September 30, 2013 and pay interest at a rate of 4.72% per annum. Maturity of the bonds is set forth in the following table.

2010	\$223,080
2011	233,609
2012	244,635
2013	<u>256,182</u>
	<u>\$957,506</u>

**Eastern Gateway Community College**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**9. TAX LEVY**

The College has levied a 1-mill property tax for general operating expenses which generated \$1,188,815. This amount includes \$391,164 of state support dollars, which is being phased out in the amounts listed below. Listed below is the amount of the dollars that the College will no longer receive due to the phase out of state reimbursement for utility and personal property tax deregulation. These reductions were made by the State of Ohio to improve the business climate in the state.

<u>Calendar Year</u>	<u>Annual Dollar Reduction In Levy Money Resulting From Utility Deregulation</u>	<u>Estimated Annual Reduction In Levy Money Resulting From Personal Property Deregulation</u>
2009	45,037	0
2010	45,037	0
2011	45,037	35,294
2012	81,066	70,588
2013	117,095	94,118
2014	153,124	117,647
2015	189,154	141,176
2016	225,183	164,706
2017	225,183	188,235
2018	225,183	200,000

**10. DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement Systems**

Plan description – The College contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current College rate is 14 percent of annual covered payroll. A portion of the College’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations (the latest date information is available). The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan member and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The College’s contributions to SERS for the years ended June 30, 2010, 2009 and 2008 were \$336,940, \$321,863 and \$306,753, respectively, equal to the required contribution for each year.

**Eastern Gateway Community College**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**10. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**State Teachers Retirement System**

Plan Description – The College participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 265 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2009, (the latest date for which information is available) plan members were required to contribute 10 percent of their annual covered salaries. The College was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The College's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$556,335, \$511,029 and \$482,983.

**Eastern Gateway Community College**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**11. POSTEMPLOYMENT BENEFITS**

The College provides comprehensive health care benefits to retired teachers and their dependents through STRS Ohio and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physician's fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by the State statute. Both systems are funded on a pay as you go basis.

**STRS** : Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physician's fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

**SERS** : In addition to a cost-sharing multiple-employer defined benefit plan, SERS administers two postemployment benefit plans.

- **Medicare Part B Plan** : The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B fund.
- **Health Care Plan** : ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For 2009, (the latest date information is available) 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

**Eastern Gateway Community College**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**12. RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts, theft of, damage to, destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year 2010, the College contracted with insurance companies for coverage of buildings and contents.

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

<u>Coverage</u>	<u>Amount</u>	<u>Deductible</u>
Commercial Property		
Commercial Property and Building (Blanket)	\$41,839,444	\$ 5,000
Earthquake	6,000,000	100,000
Business Income	1,000,000	-
Commercial General Liability		
General Liability (Per Occurrence)	1,000,000	-
Employee Liability	1,000,000	-
Employee Benefit Liability	1,000,000	-
Directors and Officers Liability	1,000,000	10,000
General Aggregate	2,000,000	-
Commercial Crime		
Employee Dishonesty	150,000	-
Forgery	150,000	-
Premises (Theft, Disappearance, Destruction)	25,000	-
Commercial Inland Marine		
Accounts Receivable	100,000	500
Valuable Papers	100,000	500
EDP	1,054,100	5,000
Commercial Umbrella	5,000,000	10,000 (Retained Limits)

**Eastern Gateway Community College  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**12. RISK MANAGEMENT (CONTINUED)**

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

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

The College does not provide Vision or Dental insurance. However, each employee is granted an amount of \$2,500, in a Health Savings Account, to use for reimbursement of expenses for non-covered medical payments, co-payments, etc. If a full time employee waives medical coverage, the College will pay \$4,000 per year taxable cash award and \$4,000 per year to waive spousal coverage.

**Rates  
June 1, 2009 to May 31, 2010**

	<u>PPO</u>
Single Coverage	\$ 511.00
Employee/Spouse	\$1,123.17
Employee/Child	\$ 862.56
Family Coverage	\$1,577.46

**Rates  
June 1, 2010 to June 30, 2011**

	<u>PPO</u>	<u>PPO With HSA</u>
Single Coverage	\$ 643.06	\$ 397.83
Employee/Spouse	\$1,413.45	\$ 874.43
Employee/Child	\$1,085.48	\$ 671.54
Family Coverage	\$1,985.15	\$1,228.10

**Eastern Gateway Community College**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**13. LITIGATION**

At June 30, 2010, there were no lawsuits or claims pending against Eastern Gateway Community College. Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. College management believes disallowances, if any, will be immaterial.

**14. COMPONENT UNIT DISCLOSURES – EASTERN GATEWAY COMMUNITY COLLEGE FOUNDATION**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Eastern Gateway Community College Foundation (the Foundation) is a legally separate, tax-exempt organization supporting Eastern Gateway Community College. The Foundation was established to foster excellence in teaching and learning by encouraging philanthropic support for students, faculty, programs and facilities for the College. Because the majority of the distribution of the resources held by the Foundation are received by the College, the Foundation is considered a component unit of the College and is presented in the College's financial statements.

**Basis of Accounting**

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

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in Its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations (superseded by FASB ASC 958-205). Under those standards, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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

**Eastern Gateway Community College**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**14. COMPONENT UNIT DISCLOSURES – EASTERN GATEWAY COMMUNITY COLLEGE FOUNDATION (CONTINUED)**

**Cash and Cash Equivalents**

The Foundation classifies its checking and certificates of deposit as cash.

**Use of Estimates**

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

**Unrestricted Net Assets**

Net assets not subject to donor-imposed stipulations. This category includes net assets designated by the Board.

**Temporarily Restricted Net Assets**

Net assets subject to donor imposed stipulations that may or will be met by actions of the Board/Organization and/or the passage of time.

**Permanently Restricted Net Assets**

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

**NOTE B – TAXES**

The Foundation is exempt from income taxes under Section 501(c)(3) as a Non-Governmental, Non Profit entity of the Internal Revenue Code.



**Eastern Gateway Community College**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
<b><u>U.S. Department of Education</u></b>				
Student Financial Aid Cluster:				
AARA Federal Pell Grant Program	Direct	84.063	\$4,251,904	\$4,251,904
Pell Grant – Administrative Allowance	Direct	84.063	8,222	8,222
Total Pell Grant			<u>4,260,126</u>	<u>4,260,126</u>
S.E.O.G. – Financial Aid	Direct	84.007	50,880	50,880
S.E.O.G. – Administrative Allowance	Direct	84.007	-	-
Total S.E.O.G. Grant			<u>50,880</u>	<u>50,880</u>
ACG – Financial Aid	Direct	84.375	82,023	82,023
College Work Study – Financial Aid	Direct	84.033	59,744	59,744
College Work Study – Administrative Allowance	Direct	84.033	-	-
AARA – Federal Work Study Program	Direct	84.033	13,730	13,730
Total College Work Study Grant			<u>73,474</u>	<u>73,474</u>
TRIO Grant (SSS)	Direct	84.042A	261,734	261,734
TRIO Grant (Upward Bound)	Direct	84.047	242,193	242,193
Total Financial Aid Cluster			<u>4,970,430</u>	<u>4,970,430</u>
<b><u>Passed Through Ohio Department Of Education</u></b>				
Tech Prep Programs	VETP0-2004 15 FB	84.243	173,615	173,615
A.B.L.E. Workplace Literacy	AB-S1-2004	84.002	113,865	113,865
Perkins Grant	VECP II 2004-521	84.048	55,836	55,836
AARA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act		84.394	689,969	689,969
Total Passed Through Ohio Depart. Of Education			<u>1,033,285</u>	<u>1,033,285</u>
Total U.S. Department of Education			<u>6,003,715</u>	<u>6,003,715</u>
<b><u>U.S. Department of Labor</u></b>				
<b><u>Passed Through Ohio Department of Job and Family Services</u></b>				
Workforce Investment Act (Jefferson, Harrison, Belmont, Columbiana & Mahoning Counties)	4D7310000	17.258	134,916	134,916
Community Based Job Training Grant		17.269	568,081	568,081
Total U.S. Department of Labor			<u>702,997</u>	<u>702,997</u>
<b><u>U.S. Department of Justice</u></b>				
Appalachian Regional Development		23.001	43,508	43,508
Total U.S. Department of Justice			<u>43,508</u>	<u>43,508</u>
Total Federal Awards Receipts and Expenditures			<u>\$6,750,220</u>	<u>\$6,750,220</u>

See accompanying notes to the schedule of federal awards expenditures.

**Eastern Gateway Community College**  
**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**1. General**

The accompanying Schedule of Federal Awards Expenditures of Eastern Gateway Community College presents the activity of all federal awards of the College. The College's reporting entity is defined in Note 1 to the College's financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

**2. Basis of Accounting**

The basis of accounting for this schedule is the accrual basis, which is consistent in the financial reporting basis. See Note 1 of the Financial Statements.



**INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees  
Eastern Gateway Community College  
Steubenville, Ohio

We have audited the financial statements of Eastern Gateway Community College (a nonprofit organization) as of and for the year ended June 30, 2010 and have issued our report thereon dated November 19, 2010 . We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the College's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the College's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

**Compliance and Other Matters**

As part of reasonably assuring whether the College's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Board of Trustees, federal awarding agencies, pass-through entities, and others within the College. We intend it for no one other than the specified parties.

*S. R. Smolgrass, A.C.*

Steubenville, Ohio  
November 19, 2010

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

To the Board of Trustees  
Eastern Gateway Community College  
Steubenville, Ohio

**Compliance**

We have audited the compliance of Eastern Gateway Community College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The Summary of Auditor's results section of the accompanying Schedule of Findings identifies the College's major federal programs. The College's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the College's compliance based on our audit.

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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the Eastern Gateway Community College, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

The College's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the Board of Trustees, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

*S. R. Smolgrass, A.C.*

Steubenville, Ohio  
November 19, 2010

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMS CIRCULAR A-133 SECTION .505  
EASTERN GATEWAY COMMUNITY COLLEGE JEFFERSON COUNTY  
June 30, 2010**

**1. Summary of Auditor's Results**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material Weakness conditions reported at The financial statements level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable Control deficiency conditions Reported at the financial Statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material Non-compliance at the financial Statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material Weakness conditions Reported for major federal Programs?	No
(d)(1)(iv)	Were there any other significant Internal control deficiencies reported for major Federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings Under Section .510	No
(d)(1)(vii)	Major Programs:	<p>Student Financial Aid Cluster:</p> <p>Pell Grant CFDA #84.063 S.E.O.G. CFDA #84.007 College Work Study CFDA #84.033 ACG CFDA #84.375</p> <p>AARA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act CFDA #84.394</p> <p>Community Based Job Training Grant #17.269</p>
(d)(1)(vii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**OMS CIRCULAR A-133 SECTION .505**  
**EASTERN GATEWAY COMMUNITY COLLEGE JEFFERSON COUNTY**  
**June 30, 2010**

**2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS**

None

**3. Findings and Questioned Costs for Federal Awards**

None



## **STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, as of June 30, 2010, included no material citations or recommendations.

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**Mary Taylor, CPA**  
Auditor of State

**EASTERN GATEWAY COMMUNITY COLLEGE**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 20, 2011**