

EASTERN GATEWAY COMMUNITY COLLEGE

STEUBENVILLE, OHIO

AUDIT REPORT

JUNE 30, 2012



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Eastern Gateway Community College, Jefferson County, prepared by S.R. Snodgrass, A.C., for the audit period July 1, 2011 through June 30, 2012. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 14, 2013

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**EASTERN GATEWAY COMMUNITY COLLEGE
FOR THE YEAR ENDED JUNE 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Eastern Gateway Community College
Steubenville, Ohio

We have audited the accompanying basic financial statements of Eastern Gateway Community College (the College), and the discretely presented component unit, as of June 30, 2012, 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 respects, the financial position of Eastern Gateway Community College and the discretely presented component unit as of June 30, 2012, 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 December 21, 2012, 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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the College's basic financial statements, taken as a whole. The schedule of expenditures of federal awards provides additional information required by the 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 basic financial statements. The schedule of expenditures of federal awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

S. R. Smodyrass, A. C.

Wheeling, West Virginia
December 21, 2012

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, 2012.

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 assesses 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 years 2010 and 2011. The stimulus amounts for each of these 2 years amounted to approximately \$700,000. No stimulus funds were received in fiscal year 2012.

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

The College received a \$1.9 million Department of Labor grant to help fund the expansion to the northern counties. This was a 3-year grant that began in February 2009, and this grant was extended through July 2012. The College was awarded a \$14.8 million grant from the Department of Health and Human Services. This is a 5-year grant that ends September 29, 2015. The purpose of this award is to offer support to students who wish to attend college in certain health fields.

In fiscal year 2010, the College's local levy funds exceeded \$1.1 million. Due to utility and personal property deregulation, this amount for fiscal year 2012 and future years has been reduced to approximately \$800,000 per year. Phase out amounts to the College amounted to over \$250,000 in fiscal year 2012.

During fiscal year 2012, the College worked with a company (Higher Education Partners) out of Massachusetts, which had already helped other community colleges expand their operations. With the help of the Ohio Attorney General's Office, Eastern Gateway Community College, as well as several other community colleges in Ohio, entered into formal agreements with Higher Education Partners with a long-term financial arrangement to help with expansion. Eastern Gateway Community College's arrangement with Higher Education Partners allows for the College to open a new location in Downtown Youngstown for the Fall of 2012. The partnership arrangement calls for the renovation and equipping of the building to be funded by Higher Education Partners. In return, they will receive a percentage of the income from enrollment at the new building.

The college's current one (1) mill levy to support the Jefferson County Campus is up for renewal in 2016.

CAPITAL PROJECTS

In fiscal year 2011, the College renovated the second floor of the Pugliese Training Center. This project included the addition of some administrative offices, as well as the development of a Wellness Center for staff and students. The College has plans to replace the outdoor signs and install new roofing at the Jefferson County Campus in 2013.

SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the changes in net assets from fiscal year 2011 to fiscal year 2012 for the College:

Net Assets	June 30,	
	<u>2011</u>	<u>2012</u>
Invested in capital assets, net of related debt	\$ 11,404,593	\$ 11,224,120
Bond Fund	(734,427)	(500,818)
Restricted for: Expendable		
Scholarships	182,332	204,095
Capital	522,514	483,704
Educational and General	518,511	298,563
Restricted for: Nonexpendable		
Scholarships	92,099	71,523
Unrestricted (General and Auxiliary)	<u>2,985,316</u>	<u>3,206,105</u>
Total net assets	<u>\$ 14,970,938</u>	<u>\$ 14,987,292</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.

The restricted educational and general net assets represent various grant funds that have been received, but not yet expended.

The unrestricted net assets of the College increased by \$220,791 in fiscal year 2012. This increase was primarily due to the funds received from the Hope Grant.

SUMMARY OF FINANCIAL INFORMATION (CONTINUED)				
FY 2011 AND 2012 UNRESTRICTED REVENUES AND EXPENSES BY CATEGORY				
	FY 2011		FY 2012	
		PERCENT OF TOTAL		PERCENT OF TOTAL
REVENUE				
TUITION AND FEES	\$ 5,791,582	42.84%	\$ 6,796,575	50.28%
STATE APPROPRIATIONS	4,169,151	30.84%	4,441,204	32.85%
LEVY FUNDS	958,218	7.09%	811,500	6.00%
HOPE GRANT INSTRUCTIONAL SUPPORT	-	0.00%	295,003	2.18%
AUXILIARY	173,697	1.28%	206,485	1.53%
OTHER	175,815	1.30%	179,909	1.33%
FEDERAL STIMULUS FUNDS USED TO SUBSIDIZE STATE APPROPRIATIONS	711,354	5.26%	-	0.00%
SUBTOTAL	11,979,817	88.62%	12,730,676	94.18%
TRANSFERRED FROM RESTRICTED	363,620	2.69%	786,942	5.82%
TOTAL UNRESTRICTED REVENUE	\$ 12,343,437	100.00%	\$ 13,517,618	100.00%
EXPENSES				
WAGES AND SALARIES	\$ 6,054,988	45.54%	\$ 6,413,745	48.24%
FRINGE BENEFITS	2,351,732	17.69%	2,364,083	17.78%
SCHOLARSHIPS	781,367	5.88%	669,585	5.04%
OUTSIDE PROFESSIONAL SERVICES	271,509	2.04%	508,176	3.82%
SUPPLIES	544,072	4.09%	504,568	3.79%
MARKETING EXPENSES	337,057	2.53%	439,123	3.30%
MAINTENANCE AND REPAIRS	330,881	2.49%	428,552	3.22%
UTILITIES AND TELEPHONE EXPENSES	406,133	3.05%	373,481	2.81%
BAD DEBT EXPENSE	136,595	1.03%	232,312	1.75%
EQUIPMENT AND CAPITAL EXPENSES	273,367	2.06%	204,614	1.54%
FACILITY RENTAL	76,620	0.58%	182,307	1.37%
TRAVEL AND PROFESSIONAL DEVELOPMENT	154,701	1.16%	104,465	0.79%
ALL OTHER EXPENSES	634,802	4.77%	871,815	6.56%
TOTAL UNRESTRICTED EXPENSES	\$ 12,353,824	100.00%	\$ 13,296,826	100.00%

**EASTERN GATEWAY COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Primary Institution	Component Unit
	Eastern Gateway Community College	Eastern Gateway Community College Foundation
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 91,791	\$ 253,283
Investments	2,990,000	-
Property tax receivables	840,540	-
Other receivables	1,301,000	750
Inventory	13,848	-
Other assets	346,706	-
Total current assets	5,583,885	254,033
NON-CURRENT ASSETS		
Restricted cash and cash equivalents	2,978	-
Endowment investments	55,847	123,265
Capital assets, gross	21,505,530	-
Accumulated depreciation	(10,281,411)	-
TOTAL ASSETS	\$ 16,866,829	\$ 377,298
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 263,930	\$ -
Accrued wages	43,489	-
Deferred revenue	241,724	-
Deposits	24,163	-
Bond interest payable	17,729	-
Bond payable - current portion	250,545	-
Compensated absences	60,094	-
Total current liabilities	901,674	-
NON-CURRENT LIABILITIES		
Compensated absences	727,591	-
Bond payable	250,272	-
Total non-current liabilities	977,863	-
Total liabilities	1,879,537	-
NET ASSETS		
Invested in capital assets, net of related debt	10,723,302	-
Restricted for: Expendable		
Scholarships	204,095	310,477
Capital	483,704	48,859
Educational and general	298,563	-
Restricted for: Nonexpendable		
Scholarships	71,523	-
Unrestricted	3,206,105	17,962
Total net assets	14,987,292	377,298
TOTAL LIABILITIES AND NET ASSETS	\$ 16,866,829	\$ 377,298

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

EASTERN GATEWAY COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30, 2012

	Primary Institution	Component Unit
	Eastern Gateway Community College	Eastern Gateway Community College Foundation
REVENUES		
Operating Revenues:		
Tuitions and student fees, net	\$ 3,165,928	\$ -
Auxiliary enterprises revenue	206,485	-
State grants and contracts	244,444	-
Federal grants and contracts	4,167,866	-
Local grants and contracts	80,560	-
Other operating revenue	438,582	-
Donations	-	61,686
Total operating revenues	8,303,865	61,686
EXPENSES		
Operating Expenses:		
Education and general	6,436,076	7,260
Public service	729,251	-
Academic support	615,155	-
Student services	4,279,077	-
Institutional support	3,658,002	-
Operation and maintenance of plant	788,137	-
Scholarships and fellowships	710,101	26,034
Auxiliary enterprises	41,727	-
Depreciation	503,484	-
Total operating expenses	17,761,010	33,294
Operating income(loss)	(9,457,145)	28,392
NON-OPERATING REVENUES		
Capital funds (bond retirement)	233,609	-
State grants and contracts	4,821,615	-
Federal Grants and contracts	3,630,644	-
Local grants and contracts	-	-
Capital grants and contracts	-	-
Investment income	56,029	30,103
Property taxes	731,603	-
Total non-operating revenues	9,473,500	30,103
Increase (decrease) in net assets	16,355	58,495
NET ASSETS - BEGINNING OF YEAR	14,970,937	318,803
NET ASSETS - END OF YEAR	\$ 14,987,292	\$ 377,298

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

**EASTERN GATEWAY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
JUNE 30, 2012**

	<u>Primary Institution Eastern Gateway Community College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 3,107,373
Grants and contracts	4,503,147
Payments to suppliers	(7,551,833)
Payroll and fringe benefits	(9,853,625)
Auxiliary enterprise charges	211,598
Other income	438,581
Net cash used in operating activities	<u>(9,144,759)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Local property taxes	770,888
State appropriations	4,456,768
Grants and contracts	4,011,057
Net cash provided by noncapital financing activities	<u>9,238,713</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(334,626)
Capital financing	(8,270)
Net cash used in capital and related financing activities	<u>(342,896)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	51,408
Proceeds from maturing CD's	-
Purchase of long term CD's & Investments	(1,010,000)
Net cash used in investing activities	<u>(958,592)</u>
Net decrease in cash	(1,207,534)
CASH, BEGINNING OF YEAR	<u>1,302,303</u>
CASH, END OF YEAR	<u>\$ 94,769</u>

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

**EASTERN GATEWAY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS - CONTINUED
JUNE 30, 2012**

	Primary Institution
	Eastern Gateway Community College
Operating loss	\$ (9,457,145)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation	503,484
Net change in:	
Receivables	(77,680)
Inventories	5,113
Other assets	37,450
Accounts payable and other liabilities	(178,460)
Accrued wages	(61,795)
Deferred revenue	21,119
Deposits held	(6,922)
Compensated absences	70,077
	70,077
Net cash used by operating activities	\$ (9,144,759)

The accompanying notes are an integral part of this statement

Eastern Gateway Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

Eastern Gateway Community College ("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.

NOTE 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 *Government 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 (CONTINUED)
FOR THE FISCAL YEAR NEDED JUNE 30, 2012

NOTE 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 3 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, 2012.

Eastern Gateway Community College
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR NEDED JUNE 30, 2012

NOTE 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 and software are charged to operating expense in the year in which the expense was incurred.

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

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 Government 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.

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.

Eastern Gateway Community College
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR NEDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES
(CONTINUED)

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.

NOTE 3 - 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.

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 percent of the public funds on deposit. At least quarterly, the College determines that the collateral has a market value adequate to cover the deposits. Collateral is held by Trustees, including the Federal Reserve Bank and the Federal Home Loan Bank Board.

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-related disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination.

Eastern Gateway Community College
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR NEDED JUNE 30, 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2012, 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	\$ 94,769	\$ 355,965
WesBanco CD's	2,990,000	2,990,000
Various corporate stock	<u>55,847</u>	<u>55,847</u>
Total deposits and investments	<u>\$ 3,140,616</u>	<u>\$ 3,401,812</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 \$3,401,812, the Federal Depository Insurance Corporation insured \$500,000 and the balance of \$2,845,965 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 College's financial position or results of operations.

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2012, 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.

Other accounts receivable consists of the following at June 30, 2012:

Other accounts receivable	\$ 1,995,460
Less allowance for doubtful accounts	<u>694,460</u>
	<u>\$ 1,301,000</u>

Eastern Gateway Community College
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - CAPITAL ASSETS

Changes in capital assets at June 30, 2012, are composed of the following:

Description	Balance at July 1, 2011	Increases	Decreases	Balance at June 30, 2012
Capital assets, non-depreciable:				
Land	\$ 629,200	\$ -	\$ -	\$ 629,200
Capital assets, depreciable:				
Buildings and building improvements	18,545,229	232,427	-	18,777,656
Equipment and furniture	<u>2,008,091</u>	<u>102,198</u>	<u>(11,615)</u>	<u>2,098,674</u>
Total depreciable	<u>20,553,320</u>	<u>334,625</u>	<u>(11,615)</u>	<u>20,876,330</u>
Less accumulated depreciation:				
Buildings and building improvements	(8,292,960)	(382,777)	-	(8,675,737)
Equipment and furniture	<u>(1,484,968)</u>	<u>(132,321)</u>	<u>11,615</u>	<u>(1,605,674)</u>
Total accumulated depreciation	<u>(9,777,928)</u>	<u>(515,098)</u>	<u>11,615</u>	<u>(10,281,411)</u>
Total capital assets, depreciable, net	<u>10,775,392</u>	<u>(180,473)</u>	<u>-</u>	<u>10,594,919</u>
Capital assets, net	<u>\$ 11,404,592</u>	<u>\$ (180,473)</u>	<u>\$ -</u>	<u>\$ 11,224,119</u>

NOTE 6 - STATE SUPPORT

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

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 (CONTINUED)
FOR THE FISCAL YEAR NEDED JUNE 30, 2012

NOTE 7 – LONG-TERM LIABILITIES

The College's long-term liabilities consisted of the following at June 30, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Current</u> <u>Portion</u>
Compensated absences	\$ 717,608	\$ 166,769	\$ (96,692)	\$ 787,685	\$ 60,094
Bond payable	<u>734,426</u>	<u>-</u>	<u>(233,609)</u>	<u>500,817</u>	<u>250,545</u>
Total	<u>\$ 1,452,034</u>	<u>\$ 166,769</u>	<u>\$ (330,301)</u>	<u>\$ 1,288,502</u>	<u>\$ 310,639</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 facilitated 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 percent per annum. Maturity of the bonds is set forth in the following table. Interest paid was \$34,665 for year ended June 30, 2012. Interest expense was \$26,395 for the year ended June 30, 2012.

2012	\$ 250,545
2013	<u>250,272</u>
	<u>\$ 500,817</u>

NOTE 8 - 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 2011, 12.57 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, 2012, 2011, and 2010 were \$379,739, \$357,612 and \$336,940, respectively, equal to the required contribution for each year.

Eastern Gateway Community College
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR NEDED JUNE 30, 2012

NOTE 8 - 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 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio 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. 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, 2011, (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; 13.7 percent was the portion used to fund pension and health care 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, 2012, 2011, and 2010 were \$681,321, \$605,494 and \$556,335.

Eastern Gateway Community College
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR NEDED JUNE 30, 2012

NOTE 9 - POST EMPLOYMENT BENEFITS

School Employee Retirement System

Plan Description - The College participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physician's fees through several types of plans including HMO's, PPO's, and traditional indemnity plans, as well as a prescription drug program.

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report, which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code 401(h). For 2011, (the latest date information is available) 1.43 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 2011, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll.

State Teachers Retirement System

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

Eastern Gateway Community College
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR NEDED JUNE 30, 2012

NOTE 9 - POST EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, (the latest date information is available) STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the post employment health care.

NOTE 10 - 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 2012, 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)	\$ 34,614,900	\$ 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 (aggregate)	3,000,000	-
Directors and Officers Liability	1,000,000	10,000
General Aggregate	2,000,000	-
Damage to Property Rented by College	300,000	-
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	5,800
Commercial Umbrella	5,000,000	-
Automobile Liability	1,000,000	-

Eastern Gateway Community College
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR NEDED JUNE 30, 2012

NOTE 10 - RISK MANAGEMENT (CONTINUED)

Technology-Related Coverage		
Privacy Liability	1,000,000	25,000
Data Branch Fund	250,000	25,000
Network Security Liability	1,000,000	25,000
Internet Media Liability	1,000,000	25,000
Network Extortion	1,000,000	25,000
Regulatory Proceeding	250,000	25,000
Maximum Policy Aggregate	1,000,000	-

Settled claims have not exceeded commercial coverage in any of the past 3 years. Also, the College has not significantly reduced coverages in the past year.

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

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

Rates
July 1, 2011 to June 30, 2012

	<u>PPO</u>
Single Coverage	\$ 429.75
Employee/Spouse	944.59
Employee/Child	725.42
Family Coverage	1,326.63

NOTE 11 - LITIGATION

At June 30, 2012, 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.

Eastern Gateway Community College
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR NEDED JUNE 30, 2012

NOTE 12 - 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 is 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 ASC 958-205, *Financial Statements of Not-For-Profit Organizations*. Under those standards, the Foundation is required to report information regarding its financial position and activities according to three classes of net 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.

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 U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Unrestricted Net Assets

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

Eastern Gateway Community College
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - COMPONENT UNIT DISCLOSURES - EASTERN GATEWAY COMMUNITY COLLEGE FOUNDATION (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

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

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 EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-through Grantor Program Title	Grant or Program Number	Federal CFDA Number	Receipts Recognized	Program Expenditures
U. S. DEPARTMENT OF EDUCATION				
Student Financial Aid Cluster				
Federal Pell Grant Program	Direct	84.063	\$ 6,086,024	\$ 6,086,024
Federal Pell Grant Program - Administrative Allowance	Direct	84.063	9,680	9,680
Subtotal Federal Pell Grant Program			<u>6,095,704</u>	<u>6,095,704</u>
Federal Supplemental Educational Opportunity Grants	Direct	84.007	43,667	43,667
Subtotal Supplemental Educational Opportunity Grants			<u>43,667</u>	<u>43,667</u>
Federal Direct Student Loans	Direct	84.268	3,945,409	3,945,409
Federal Work Study Program	Direct	84.033	52,124	52,124
Total College Work Study Grant			52,124	52,124
Subtotal Financial Aid Cluster			<u>10,136,904</u>	<u>10,136,904</u>
TRIO Cluster				
Student Support Services	Direct	84.042A	190,807	190,807
EOC	Direct	84.066A	127,019	127,019
Upward Bound Math and Science Program	Direct	84.047	216,968	216,968
Subtotal TRIO Cluster			<u>534,794</u>	<u>534,794</u>
PASS THROUGH:				
OHIO DEPARTMENT OF EDUCATION				
Tech Prep Education	VETP-2004 15FB	84.243	82,958	82,958
A.B.L.E. Workplace Literacy	AB S1-2004	84.002	105,524	105,524
Career and Technical Education - Basic Grants to States	VECP II 2004-521	84.048	33,455	33,455
Subtotal Pass-through Ohio Dept. of Education			<u>221,937</u>	<u>221,937</u>
Total Federal Assistance - U. S. DEPARTMENT OF EDUCATION			<u>10,893,635</u>	<u>10,893,635</u>
U. S. DEPARTMENT OF LABOR				
PASS THROUGH:				
OHIO DEPARTMENT OF JOB AND FAMILY SERVICES				
Workforce Investment Act	4D7310000	17.258	37,611	37,611
Community-Based Job Training Grant		17.269	535,996	535,996
TOTAL U. S. DEPARTMENT OF LABOR			<u>573,607</u>	<u>573,607</u>
U. S. DEPARTMENT OF JUSTICE				
Appalachian Regional Development		23.001	46,572	46,572
TOTAL U. S. DEPARTMENT OF JUSTICE			<u>46,572</u>	<u>46,572</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Health Profession Opportunity Grant	90FX0004/01	93.093	2,774,443	2,774,443
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,774,443</u>	<u>2,774,443</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			<u>\$ 14,288,257</u>	<u>\$ 14,288,257</u>

Eastern Gateway Community College
NOTES TO THE SCHEDULE OF FEDERAL AWARDS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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.

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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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, 2012, and have issued our report thereon dated December 21, 2012. 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

Management of Eastern Gateway Community College is responsible for establishing and maintaining effective 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 opinion 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. Smodyross, A. C.

Wheeling, West Virginia
December 21, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
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 could have a direct and material effect on each of its major federal programs for the year ended. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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 and to test and report on internal control over 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 was not designed to 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. Smolyski, A.C.

Wheeling, West Virginia
December 21, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
OMB CIRCULAR A-133 SECTION .505
EASTERN GATEWAY COMMUNITY COLLEGE
JUNE 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
	Trio Cluster:
84.042	Student Support Services
84.066	EOC
84.047	Upward Bound Math and Science Program
	Student Financial Aid Cluster:
84.063	Pell Grant
84.007	S.E.O.G
84.268	Federal Direct Student Loans
84.033	Federal Work Study Program

The dollar threshold used to distinguish between Type A and Type B programs was \$428,648.

Eastern Gateway Community College qualified as a low-risk auditee for the fiscal year ended June 30, 2012.

SECTION II - FINANCIAL STATEMENT FINDINGS

We noted no findings related to the financial statements which are required to be reported in accordance with GAGAS.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

We noted no findings or questioned or likely questioned costs for federal awards for the fiscal year ended June 30, 2012.

**Eastern Gateway Community College
STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The prior audit report, as of June 30, 2011, included no material citations or recommendations.



Dave Yost • 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 24, 2013**