

EDISON STATE COMMUNITY COLLEGE

ANNUAL REPORT

June 30, 2010 and 2009

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Edison State Community College, Miami County, prepared by Crowe Horwath LLP, 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 Edison State Community College is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 29, 2010

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EDISON STATE COMMUNITY COLLEGE

Piqua, Ohio

ANNUAL REPORT
June 30, 2010 and 2009

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Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Edison State Community College
Miami County
Piqua, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Edison State Community College (the "College"), a component unit of the State of Ohio, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Edison State Community College as of June 30, 2010 and 2009, and the respective changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis ("MD&A") on pages 3 through 13 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 required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 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 of internal control over financial reporting and compliance and the results of that 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 results of our audit.

(Continued)

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the College taken as a whole. The accompanying Schedule of Expenditures of Federal Awards on pages 30 and 31, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Schedule of Board of Trustees and Administrative Personal on page 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2010

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Edison Community College's ("College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2010 and 2009. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with College management.

Using This Report

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

The standards require three basic financial statements: the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows.

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

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

Financial Highlights

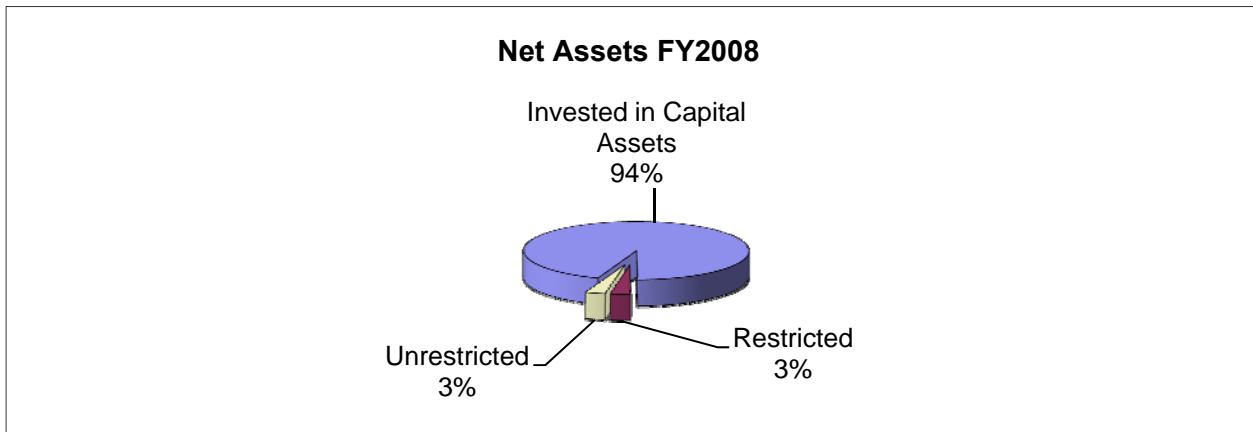
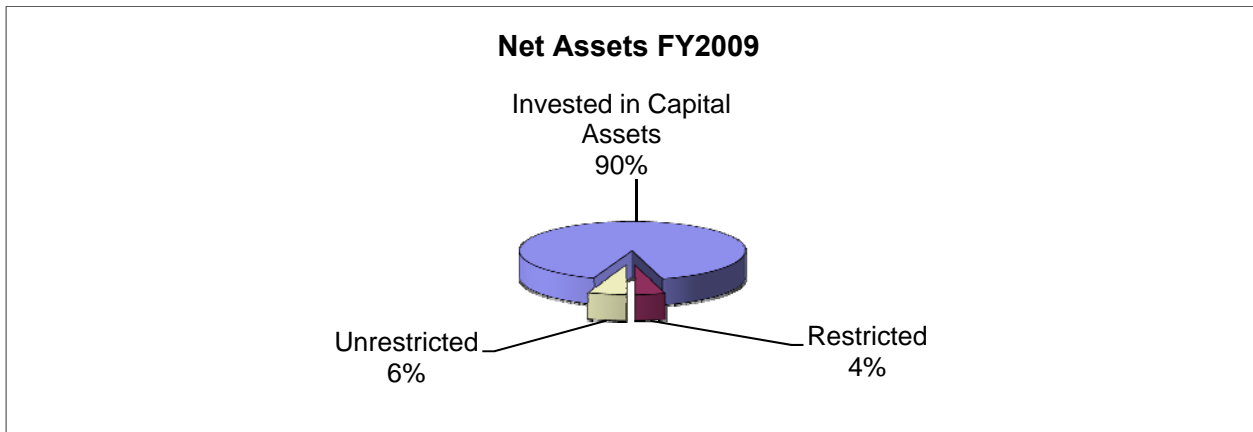
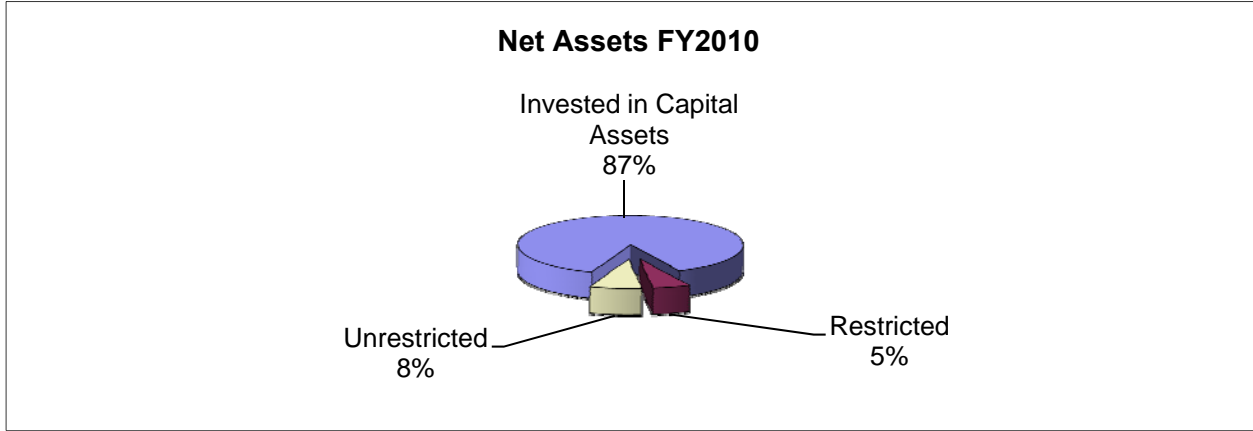
In the fiscal year ended June 30, 2010, College's revenues and other support exceeded expenses, creating an increase in net assets of \$930,044, and the cash position of the College increased \$1,019,338.

The increase in the net assets is attributable to increased revenues from higher enrollment, increased student tuition, higher support from the State of Ohio, careful management of expenses.

(Continued)

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009

The following charts provide a graphical breakdown of net assets by category for the fiscal years ended June 30, 2010, 2009 and 2008.



(Continued)

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about the College's finances is whether the College as a whole is better off or worse off as a result of the year's activities. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the College as a whole and on its activities in a way that helps answer this question. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider many other non-financial factors, such as the trend and quality of applicants, class size, student retention, strength of faculty, condition of the buildings and the safety of campus, to assess the overall health of the College. As a result of enrollment growth, increased state appropriations, and cost containment the College's financial position was stronger at June 30, 2010.

Following is a summary of the major components of net assets and operating results of the College as of and for the years ended June 30, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current assets	\$ 8,216,034	\$ 6,441,499	\$ 5,740,589
Noncurrent assets			
Capital assets, net	18,509,053	18,809,707	19,493,985
Other	-	<u>10,000</u>	<u>210,000</u>
Total assets	<u>\$ 26,725,087</u>	<u>\$ 25,261,206</u>	<u>\$ 25,444,574</u>
Current liabilities	\$ 5,704,124	\$ 4,902,188	\$ 4,960,201
Noncurrent liabilities	<u>4,134,354</u>	<u>4,402,453</u>	<u>4,795,008</u>
Total liabilities	9,838,478	9,304,641	9,755,209
Net assets			
Invested in capital assets – net of related debt	14,727,050	14,387,612	14,789,255
Restricted	906,677	681,159	447,416
Unrestricted	<u>1,252,882</u>	<u>887,794</u>	<u>452,694</u>
Total net assets	<u>16,886,609</u>	<u>15,956,565</u>	<u>15,689,365</u>
Total liabilities and net assets	<u>\$ 26,725,087</u>	<u>\$ 25,261,206</u>	<u>\$ 25,444,574</u>

(Continued)

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009

	Years ended June 30		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues			
Student tuition and fees	\$ 9,373,739	\$ 8,416,962	\$ 7,626,713
Less grants and scholarships	(4,780,011)	(2,566,173)	(1,979,550)
Net student tuition and fees	4,593,728	5,850,789	5,647,163
Federal grant and contracts	661,795	869,230	1,349,224
State and local grants and contracts	210,323	316,217	265,140
Auxiliary enterprises-bookstore	830,065	1,392,864	1,284,961
Other operating revenues	188,316	196,815	383,371
Total operating revenues	<u>6,484,227</u>	<u>8,625,915</u>	<u>8,929,859</u>
Operating expenses			
Educational and general instruction			
Instruction	\$ 7,461,288	\$ 7,335,843	\$ 7,381,312
Public service	777,437	798,127	704,851
Academic support	533,820	454,045	410,861
Student services	2,201,790	2,466,215	3,006,322
Institutional support	3,940,995	4,179,988	4,189,730
Plant operations and maintenance	1,618,003	1,354,197	1,600,236
Depreciation	1,132,835	1,060,682	924,161
Student aid	242,286	230,346	413,665
Auxiliary enterprises-bookstore	746,051	1,435,838	1,082,137
Total operating expenses	<u>18,654,505</u>	<u>19,315,281</u>	<u>19,713,275</u>
Operating loss	<u>(12,170,278)</u>	<u>(10,689,366)</u>	<u>(10,783,416)</u>
Nonoperating revenues (expenses) and other revenues			
State appropriations	7,129,112	7,232,364	6,631,254
Federal grants and contracts	4,936,064	2,868,084	2,180,053
Interest expense	(193,611)	(208,258)	(202,486)
Other nonoperational revenue	187,546	513,305	508,374
Capital grants	334,249	289,511	283,946
Capital appropriations	706,962	261,560	354,548
Total nonoperating revenues (expenses) and other revenues	<u>13,100,322</u>	<u>10,956,566</u>	<u>9,755,689</u>
Change in net assets	<u>\$ 930,044</u>	<u>\$ 267,200</u>	<u>\$ (1,027,727)</u>

(Continued)

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009

Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees and bookstore operations. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for service.

The following factors had a significant impact on fiscal year 2010 operating revenue:

- Academic year 2009/2010 enrollment was up by 10.5% as compared to the 2008/2009 academic year, and fees were increased by 3.48% per credit hour. Consequently, student tuition and fees revenue increased by \$956,777, however, net student tuition and fees actually decreased because of the large increase in grants and scholarships. That was driven by a 71% increase in Pell Grant indirect costs due to a much higher percentage of students being eligible for Pell Grants and an increase in the maximum Pell Grant award per student.
- Federal grant and contract revenue decreased by 24%, or \$207,435, primarily due to lower revenue from the Department of Labor Community Based Job Training Grant which had correspondingly lower expenses.
- In November of 2009, Edison Community College contracted with the Follett Higher Education Group to operate the Edison Bookstore. In accordance with that agreement, Follett pays Edison a commission based on a percentage of the Bookstore sales. As a result, Edison recognized the commission revenue for the Spring and Summer Semesters in FY2010 instead of the sales revenue which it recognized for the Fall Semester of FY2010 and all semesters in FY2009. Consequently, operating revenues for Auxiliary enterprises-bookstore before deductions of grants and scholarships were \$709,404, or 38%, lower in 2010 as compared to the prior fiscal year. However, net profits from auxiliary enterprises were not materially affected.

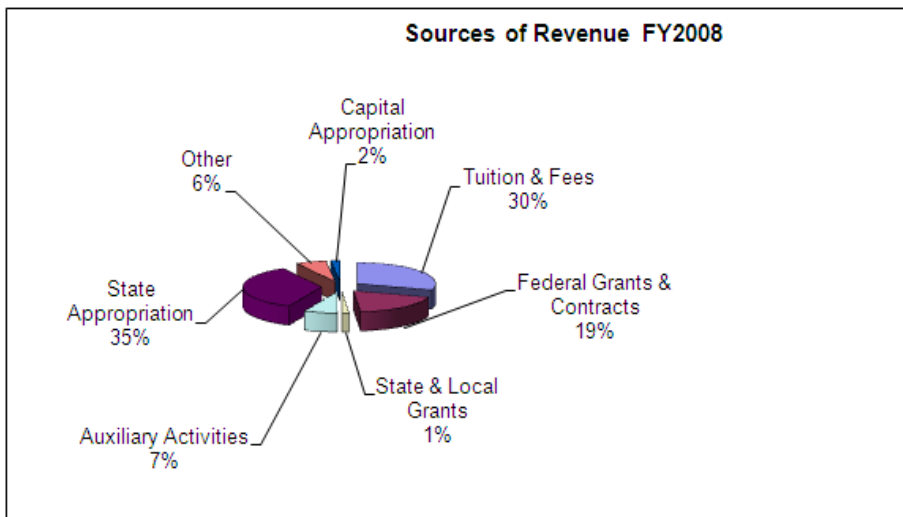
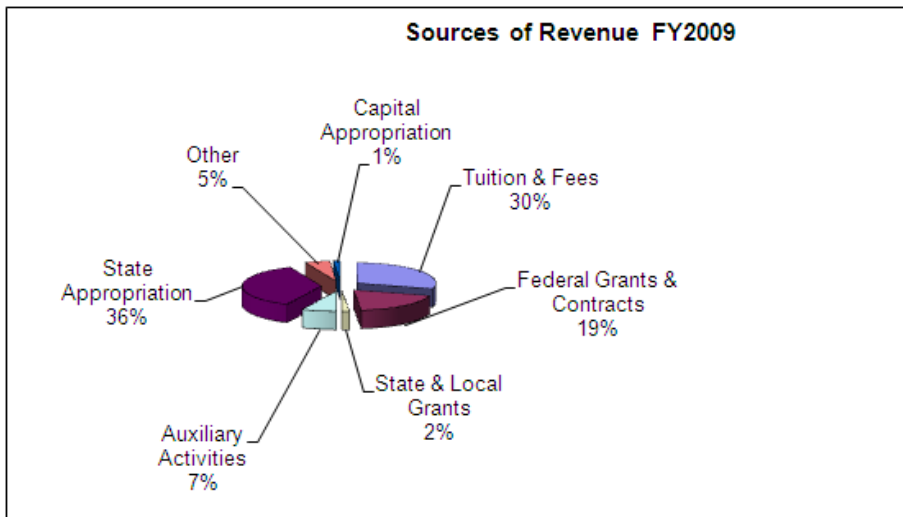
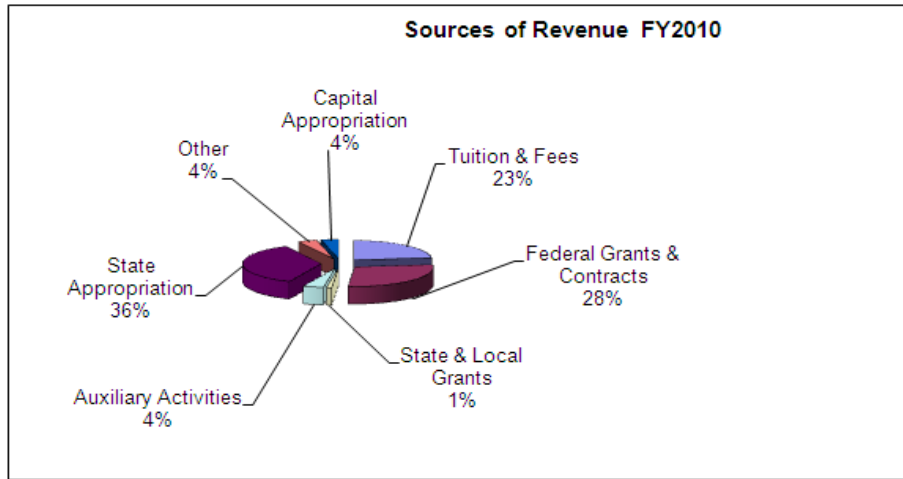
The following factors had a significant impact on fiscal year 2009 operating revenue:

- Student tuition and fees revenue per credit hour remained at the same rate as in fiscal year 2008. However, enrollment for the 2008/2009 academic year increased by 9.4% over the prior year.
- In addition, much of the enrollment growth was experienced in technology-related courses, resulting in higher laboratory fee revenue.
- Federal grant and contract revenue decreased by 36%, or \$479,994, primarily due to lower revenue from the Department of Labor Community Based Job Training Grant which had correspondingly lower expenses.

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

(Continued)

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009



(Continued)

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009

Operating Expenses

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

Fiscal year 2010 expenses were affected by the following:

- Full-time faculty received a 3.25% salary increase at the beginning of the 2009/2010 academic year. Administrative and classified staff received a 3% in January 2010.
- The Vice President of Education retired at the end of Fiscal Year 2009, and the Dean of Arts and Sciences resigned in early Fiscal Year 2010. Rather than filling those positions by external hiring, existing administrators assumed their responsibilities.
- A new process was put into place to improve the control of spending against departmental budgets, and that resulted in lower, overall spending.
- Due to the agreement with Follett Higher Education Group described above, the College no longer has the expense of stocking or staffing the Edison Community College Bookstore. Consequently, the 2010 bookstore expenses only reflect the cost of sales and personnel for five months of operations as well as write-offs for obsolete or unsalable inventory at the time Follett purchased the existing inventory.
- Bad debt expense increased due to the increased enrollment.

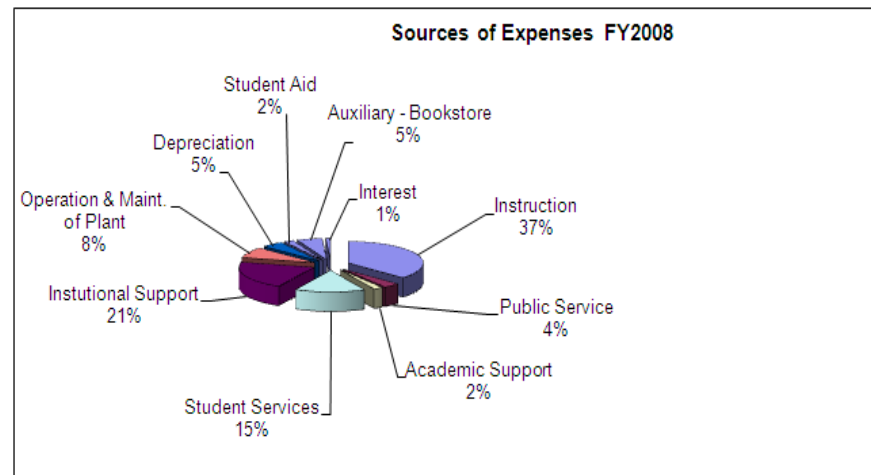
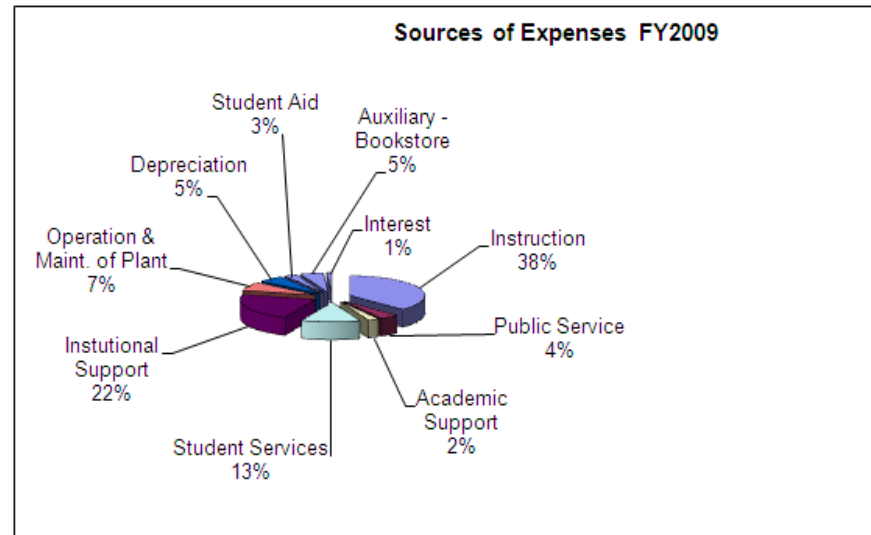
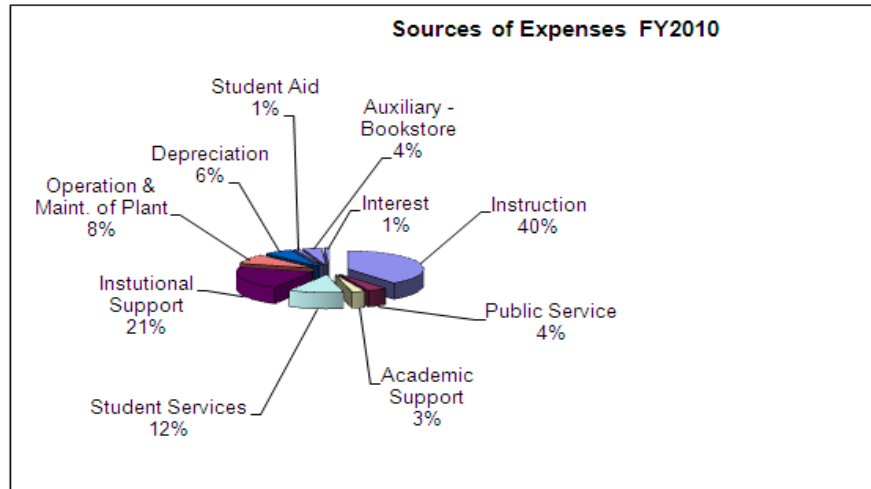
Fiscal year 2009 expenses were affected by the following:

- Increase in salary and wages of 3% for administrative and classified personnel.
- Increase in faculty salaries of 3.25% and a 1% contractual bonus paid to faculty for enrollment growth.
- Hiring three additional Nursing Department faculty to increase the number of students that the department can educate.
- Establishing a Physical Therapy Assisting Program and hiring personnel.
- Aggressive cost management and containment to lower expenses.
- Student services spending decreased by 18%. That was primarily due to a \$517,860 reduction in expenses for a Department of Labor Community Based Job Training Grant.

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

(Continued)

EDISON STATE COMMUNITY COLLEGE
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2010 and 2009



(Continued)

Nonoperating and Other Revenues

Nonoperating revenues are all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations.

Fiscal year 2010 nonoperating and other revenue were significantly affected by the following factors:

- While State appropriations remained relatively unchanged at \$7.2 million, 2010 includes \$1,020,943 of State Fiscal Stabilization Fund (SFSF) funding from the American Recovery and Reinvestment Act.
- Federal grants and contracts increased by 72% because many more students were eligible for Pell Grants, and the maximum amount available per student also increased.
- Capital appropriations increased by \$445,502, or 170%, because of basic renovation funds received from the state - primarily for the replacement of the East Hall roof and a project to renovate and create science labs.
- Other, nonoperational income decreased by \$265,277, or 52%, from 2009 levels due to a reduction in gifts from the Edison Foundation.

Fiscal year 2009 nonoperating and other revenue were significantly affected by the following factors:

- Annual state appropriations (State Share of Instruction, Access Challenge, Incentive Funding, and Performance Funding) increased by 9.1% or \$601,110 from the prior year as a result of the State's continuing commitment to funding higher education.
- Capital subsidies including Capital Allocation, and Basic Renovation funds totaled \$551,071.
- Investment income was 93% lower in 2009 due to lower cash balances and the fact that the College's investments are primarily invested in low-risk, cash equivalents which yielded less than 1%/year in 2009.

Statement of Cash Flows

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

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

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009

Cash Flows for the Years Ended June 30, 2010, 2009 and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash provided by (used in):			
Operating activities	\$ (10,953,055)	\$ (10,343,881)	\$ (8,922,406)
Noncapital financing activities	12,312,397	10,609,856	9,263,913
Capital and related financing activities	(340,179)	(316,226)	(5,256,152)
Investing activities	<u>476</u>	<u>489,594</u>	<u>3,622,969</u>
 Net increase (decrease) in cash and cash equivalents	 1,019,639	 439,343	 (1,291,676)
Cash and cash equivalents – beginning of year	<u>1,232,376</u>	<u>793,033</u>	<u>2,084,709</u>
 Cash and cash equivalents – end of year	 <u>\$ 2,252,015</u>	 <u>\$ 1,232,376</u>	 <u>\$ 793,033</u>

Capital Assets

At June 30, 2010, the College had \$18.5 million in capital assets, net of accumulated depreciation of \$12.8 million. Depreciation charges totaled approximately \$1.1 million for the current fiscal year, \$1.1 million for 2009, and \$0.9 million for 2008. The net book value of capital assets at June 30, 2010, 2009 and 2008 is as follows:

	<u>June 30</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land, land improvement	\$ 759,084	\$ 779,614	\$ 801,420
Building and improvements	6,529,660	6,314,802	6,647,847
Student conference center	3,722,810	3,892,419	4,062,028
Center for Excellence	6,632,637	6,798,318	6,938,882
Equipment	600,557	945,558	1,032,874
Vehicles	5,014	5,925	10,934
Regional Learning Center work in progress	<u>259,291</u>	<u>73,071</u>	<u>-</u>
 Total	 <u>\$ 18,509,053</u>	 <u>\$ 18,809,707</u>	 <u>\$ 19,493,985</u>

Long-Term Debt

The College currently has bonds payable which consist of a 5.75% series 2000 Revenue Bond due December 2010 and a 4.0% series 2006 General Receipts Bond due December 2026. Scheduled interest and principal payments have been made on the bonds.

For more detailed information on current outstanding debt, see Footnote 5 and 6 to the financial statements.

(Continued)

Economic Factors and Future Years' Budgets

The most significant economic issue for the College and other higher education institutions has been the continuing downturn in Ohio's economy. That has posed both a financial benefit as well as a financial and operating challenge to the College. The economic downturn has caused many people to return to college to obtain education or retraining to improve their employability. As a result, Edison Community College experienced a 10.5% increase in enrollment in Fiscal Year 2010. The College has assumed an additional 4% increase in enrollment for Fiscal Year 2011 for its annual budget. That will provide additional tuition and student fee revenue for the college. However, those revenues only represent 48% of Edison's total revenue (operating and nonoperating). Subsidies from the State of Ohio's general operating budget, formally known as State Share of Instruction, represent another 36% of the College's 2010 revenue. That is why the economic downturn also poses a challenge to the College's fiscal well being.

If tax revenues continue to decline in Fiscal Year 2011, the State of Ohio may be forced to reduce expenditures below the State's current, biennial budget. If that is the case, Edison's revenue from the State Share of Instruction may be reduced. However, it is in Fiscal Year 2012 that the economic downturn poses its greatest challenge to the College. Amended Substitute House Bill Number 1 of the 128th General Assembly is the enacting legislature for the State of Ohio's (fiscal years) 2009 and 2010, biennial budget. That budget bill appropriated a total of \$1,998,357,633 for State Share of Instruction to be paid to Ohio's state-supported colleges. However, only \$1,689,554,971 of that is funded by Ohio's General Revenue Funds. The remaining \$308,802,662 is funded by federal stimulus funds (American Recovery and Reinvestment Act of 2009) which will not be available in the next biennia (Fiscal Years 2012 and 2013). Therefore, those funds must be replaced with increased tax revenue, future federal support, or reduced spending. If reduced spending is required, the Ohio General Assembly may find it necessary to reduce the budget for State Share of Instruction, thus reducing its support for state colleges and universities. If that occurs, Edison Community College could experience as much as a \$1.1 million reduction in State Share of Instruction revenue in Fiscal Year 2012. That will necessitate significant cuts in the College's expenses as well as increased tuition rates – if allowed by the Ohio legislature.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
Years ended June 30, 2010 and 2009

	<u>College 2010</u>	<u>College 2009</u>	<u>College Related Foundation 2010</u>	<u>College Related Foundation 2009</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 2,252,015	\$ 1,232,376	\$ -	\$ -
Investments	28,260	27,928	-	-
Accounts and pledges receivable (net)	5,749,596	4,745,409	418,756	491,651
Prepaid expenses and other	171,683	154,616	6,382	6,632
Inventories	<u>14,480</u>	<u>281,170</u>	-	-
Total current assets	8,216,034	6,441,499	425,138	498,283
Noncurrent assets				
Accounts and pledges receivable (net)	-	10,000	409,743	772,640
Restricted cash deposits	-	-	2,119,644	2,098,693
Investments	-	-	1,323,107	870,891
Capital assets (net)	<u>18,509,053</u>	<u>18,809,707</u>	-	-
Total noncurrent assets	<u>18,509,053</u>	<u>18,819,707</u>	<u>3,852,494</u>	<u>3,742,224</u>
Total assets	<u>\$26,725,087</u>	<u>\$25,261,206</u>	<u>\$4,277,632</u>	<u>\$ 4,240,507</u>
Liabilities and net assets				
Current liabilities				
Accounts payable and accruals	\$ 370,834	\$ 343,207	\$ -	\$ 21,016
Accrued salaries, wages, and benefits	781,438	946,461	-	-
Deferred revenues	4,238,865	3,317,404	-	-
Capital lease obligation, current	61,417	59,068	-	-
Long-term debt, current	<u>251,570</u>	<u>236,048</u>	-	-
Total current liabilities	5,704,124	4,902,188	-	21,016
Noncurrent liabilities				
Accrued salaries, wages, and benefits	320,362	275,474	-	-
Capital lease obligation	308,992	370,409	-	-
Long-term debt	3,505,000	3,756,570	-	-
Other liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total liabilities	<u>9,838,478</u>	<u>9,304,641</u>	<u>-</u>	<u>121,016</u>
Net assets				
Invested in capital assets – net of related debt	14,727,050	14,387,612	-	-
Restricted – expendable	906,677	669,974	3,297,053	3,686,698
Restricted – nonexpendable	-	11,185	93,882	93,882
Unrestricted	<u>1,252,882</u>	<u>887,794</u>	<u>886,697</u>	<u>338,911</u>
Total net assets	<u>16,886,609</u>	<u>15,956,565</u>	<u>4,277,632</u>	<u>4,119,491</u>
Total liabilities and net assets	<u>\$26,725,087</u>	<u>\$25,261,206</u>	<u>\$4,277,632</u>	<u>\$ 4,240,507</u>

See accompanying notes to financial statements.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years ended June 30, 2010 and 2009

	College <u>2010</u>	College <u>2009</u>	College Related Foundation <u>2010</u>	College Related Foundation <u>2009</u>
Operating revenue				
Student tuition and fees	\$ 9,373,739	\$ 8,416,962	\$ -	\$ -
Less grants and scholarships	<u>(4,780,011)</u>	<u>(2,566,173)</u>	-	-
Net student tuition and fees	4,593,728	5,850,789	-	-
Federal grants and contracts	661,795	869,230	-	-
State and local grants and contracts	210,323	316,217	-	-
Auxiliary enterprises – bookstore, net of grants and scholarships of \$309,904 and \$456,509 in 2010 and 2009, respectively	830,065	1,392,864	-	-
Gifts	-	-	435,732	186,845
Other operating revenue	<u>188,316</u>	<u>196,815</u>	-	-
Total revenues, gains and other support	<u>6,484,227</u>	<u>8,625,915</u>	<u>435,732</u>	<u>186,845</u>
Operating Expenses				
Instruction	7,461,288	7,335,843	-	-
Public service	777,437	798,127	-	-
Academic support	533,820	454,045	-	-
Student services	2,201,790	2,466,215	-	-
Institutional support	3,940,995	4,179,988	165,336	242,507
Plant operations and maintenance	1,618,003	1,354,197	-	-
Depreciation	1,132,835	1,060,682	-	-
Student aid	242,286	230,346	-	-
Auxiliary enterprises	746,051	1,435,838	-	-
Total operating expenses	<u>18,654,505</u>	<u>19,315,281</u>	<u>165,336</u>	<u>242,507</u>
Operating loss	<u>(12,170,278)</u>	<u>(10,689,366)</u>	<u>270,396</u>	<u>(55,662)</u>
Nonoperating revenues (expenses)				
Federal grants and contracts	4,936,064	2,868,084	-	-
State appropriations	7,129,112	7,232,364	-	-
Gifts, including \$245,605 and \$492,980 from Foundation for 2010 and 2009, respectively	247,220	509,408	33,640	44,425
Investment income, net of expense	808	3,897	99,711	(347,842)
Interest expense	(193,611)	(208,258)	-	-
Transfer to Edison Foundation	(60,482)	-	-	-
Transfer from Edison Foundation	-	-	(245,605)	(492,980)
Total nonoperating revenues (expenses)	<u>12,059,111</u>	<u>10,405,495</u>	<u>(112,255)</u>	<u>(796,397)</u>
Income (loss) before other revenues, expenses, gains, or losses	<u>(111,167)</u>	<u>(283,871)</u>	<u>158,142</u>	<u>(852,059)</u>
Capital grants	334,249	289,511	-	-
Capital appropriation	<u>706,962</u>	<u>261,560</u>	-	-
Total other revenues	<u>1,041,211</u>	<u>551,071</u>	-	-
Change in net assets	930,044	267,200	158,142	(852,059)
Net assets at beginning of year	<u>15,956,565</u>	<u>15,689,365</u>	<u>4,119,491</u>	<u>4,971,550</u>
Net assets at end of year	<u>\$16,886,609</u>	<u>\$15,956,565</u>	<u>\$ 4,277,633</u>	<u>\$ 4,119,491</u>

See accompanying notes to financial statements.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOW
Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Student tuition and fees	\$ 5,196,455	\$ 6,025,310
Grants and contracts	338,421	878,159
Payments to vendors and employees	(17,364,556)	(18,788,782)
Auxiliary enterprise	830,065	1,392,864
Other receipts	<u>46,560</u>	<u>148,568</u>
Net cash from operating activities	<u>(10,953,055)</u>	<u>(10,343,881)</u>
Cash flows from noncapital financing activities		
State appropriations	7,129,112	7,232,364
Federal grants and contracts	4,936,064	2,868,084
Gifts	<u>247,221</u>	<u>509,408</u>
Net cash from noncapital financing activities	<u>12,312,397</u>	<u>10,609,856</u>
Cash flows from capital and related financing activities		
Capital grants	334,249	289,511
Capital appropriations	706,962	261,560
Purchases of capital assets	(832,181)	(376,404)
Interest paid on outstanding debt	(193,611)	(208,258)
Transfer to Foundation	(60,482)	-
Principal paid on outstanding debt	<u>(295,116)</u>	<u>(282,635)</u>
Net cash from capital and related financing activities	<u>(340,179)</u>	<u>(316,226)</u>
Cash flows from investing activities		
Proceeds (loss) from maturities of investments	(332)	485,697
Interest on investments	<u>808</u>	<u>3,897</u>
Net cash from investing activities	<u>476</u>	<u>489,594</u>
Net change in cash and cash equivalents	1,019,639	439,343
Cash and cash equivalents, beginning of year	<u>1,232,376</u>	<u>793,033</u>
Cash and cash equivalents, end of year	<u>\$ 2,252,015</u>	<u>\$ 1,232,376</u>
Reconciliation of operating loss to net cash from operating activities		
Operating loss	\$ (12,170,278)	\$ (10,689,366)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	1,132,835	1,060,682
Changes in assets and liabilities:		
Accounts receivable	(994,187)	(543,161)
Inventories	266,690	(31,340)
Prepaid expenses and other	(17,068)	27,237
Accounts payable and accruals	27,627	(589,592)
Accrued salaries, wages, and benefits	(120,135)	59,512
Deferred student fee income	<u>921,461</u>	<u>362,147</u>
Net cash from operating activities	<u>\$ (10,953,055)</u>	<u>\$ (10,343,881)</u>

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Pursuant to GASB Statement No. 35, the College follows GASB guidance as applicable to its business-type activities, and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

The College has adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement amends GASB Statement No. 14 to provide additional guidance for determining whether or not certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary institution. The College has determined that the Edison Foundation, Inc. is a component unit of the College. The financial activity of the Edison Foundation, Inc. is included through a discrete presentation as part of the College's financial statements.

Net Asset Classifications: In accordance with GASB Statement No. 35 guidelines, the College's resources are classified into the following net asset categories:

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

Restricted – Expendable. Net assets related to grants and contracts activity, whose use is subject to externally-imposed restrictions.

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

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

EDISON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and 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.

Accounts Receivable: Accounts receivable primarily consists of tuition and fee charges to students. Accounts receivable also include amounts due from federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Deferred Revenues: Deferred revenues consists of the unearned portion of student tuition and fees for the summer session, and all of the recorded student tuition and fees resulting from early registration for the fall session. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

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

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

Buildings and improvements	10—40 years
Equipment and fixtures	3—20 years

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

Inventories: Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out ("FIFO") method.

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

Federal Grants and Contracts: In accordance with GASB Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance and related implementation guidance, Pell Grants, and certain other grants are considered nonexchange transactions and are recorded as nonoperating revenues in the accompanying financial statements.

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Release of Restricted Funds: When expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the College's policy to apply restricted resources first, then unrestricted resources as needed.

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

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

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on the change in net assets or total net assets.

NOTE 2 - CASH AND INVESTMENTS

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

Cash and Cash Equivalents: At June 30, 2010, the carrying amounts of the College's cash and cash equivalents were \$2,252,015 (included in cash and cash equivalents in the balance sheet) and the bank balance were \$2,667,367. The differences between carrying amounts and bank balances are primarily due to outstanding checks and deposits in transit at June 30, 2010. Of the bank balances, the amounts covered by federal depository insurance or by collateral held by the College's agent in the College's name were \$2,058,605. The remaining balances of \$608,762 were invested in United States government securities, Federal Agencies' securities, State of Ohio securities and certificates of deposit. These arrangements are in compliance with the Ohio Revised Code.

Included in cash and cash equivalents is \$12,212 which was on deposit in the State Treasurer's investment pool ("STAR Ohio"). STAR Ohio is an investment pool managed by the Ohio State Treasurer's office that allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. The College's deposit is valued at the pool's share price, which is the price the investment could be sold for on June 30, 2010. STAR Ohio has a AAA rating.

Investments: Investments are stated at their fair value of \$28,260. The College's investments include \$28,260 invested in a certificate of deposit.

(Continued)

EDISON STATE COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010 and 2009

NOTE 2 - CASH AND INVESTMENTS (Continued)

The fair value of deposits and investments, by type, at June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 2,239,803	\$ 1,220,178
STAR Ohio	12,212	12,198
Certificates of deposit	<u>28,260</u>	<u>27,928</u>
	<u>\$ 2,280,275</u>	<u>\$ 1,260,304</u>

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2010 and 2009 consist of billings for student fees and receivables arising from grants and are summarized as follows:

	<u>2010</u>	<u>2009</u>
Student charges	\$ 3,841,294	\$ 3,104,795
Post secondary enrollment options program	1,394,241	1,300,611
Other	1,014,355	665,676
Non current receivable	-	10,000
Allowance for doubtful accounts	<u>(500,294)</u>	<u>(325,673)</u>
	<u>\$ 5,749,596</u>	<u>\$ 4,755,409</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in the capital assets and related accumulated depreciation during the 2010 and 2009 fiscal year:

	Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2010</u>
Cost:				
Land	\$ 688,414	\$ -	\$ -	\$ 688,414
Land improvements	569,075	-	-	569,075
Buildings and improvements	12,734,582	571,342	(498,318)	12,807,606
Student conference center	6,208,972	-	-	6,208,972
Center for Excellence	7,138,503	-	-	7,138,503
Equipment	3,474,482	74,619	-	3,549,101
Vehicles	80,162	-	-	80,162
Capital work in progress	<u>73,071</u>	<u>186,220</u>	<u>-</u>	<u>259,291</u>
	<u>30,967,261</u>	<u>832,181</u>	<u>(498,318)</u>	<u>31,301,124</u>

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010
Less accumulated depreciation:				
Land improvements	\$ 477,875	\$ 20,530	\$ -	\$ 498,405
Building and improvements	6,419,780	356,484	(498,318)	6,277,946
Student conference center	2,316,553	169,609	-	2,486,162
Center for Excellence	340,185	165,681	-	505,866
Equipment	2,528,924	419,620	-	2,948,544
Vehicles	74,237	911	-	75,148
	<u>12,157,554</u>	<u>1,132,835</u>	<u>(498,318)</u>	<u>12,792,071</u>
Capital assets—net	<u>\$ 18,809,707</u>	<u>\$ (300,654)</u>	<u>\$ -</u>	<u>\$ 18,509,053</u>

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
Cost:				
Land	\$ 688,414	\$ -	\$ -	\$ 688,414
Land improvements	569,075	-	-	569,075
Buildings and improvements	12,716,656	17,926	-	12,734,582
Student conference center	6,208,972	-	-	6,208,972
Center for Excellence	7,114,952	23,551	-	7,138,503
Equipment	3,212,626	261,856	-	3,474,482
Vehicles	80,162	-	-	80,162
Capital work in progress	-	73,071	-	73,071
	<u>30,590,857</u>	<u>376,404</u>	<u>-</u>	<u>30,967,261</u>
Less accumulated depreciation:				
Land improvements	456,069	21,806	-	477,875
Building and improvements	6,068,809	350,971	-	6,419,780
Student conference center	2,146,944	169,609	-	2,316,553
Center for Excellence	176,070	164,115	-	340,185
Equipment	2,179,752	349,172	-	2,528,924
Vehicles	69,228	5,009	-	74,237
	<u>11,096,872</u>	<u>1,060,682</u>	<u>-</u>	<u>12,157,554</u>
Capital assets—net	<u>\$ 19,493,985</u>	<u>\$ (684,278)</u>	<u>\$ -</u>	<u>\$ 18,809,707</u>

There were no significant commitments remaining at year end for work in progress.

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 5 - NONCURRENT LIABILITIES

Noncurrent liabilities as of June 30, 2010 and 2009 are summarized as follows:

2010						
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond obligations	\$ 3,992,618	\$ -	\$ 236,048	\$ 3,756,570	\$ 251,570	\$ 3,505,000
Capital lease obligation	<u>429,477</u>	<u>-</u>	<u>59,068</u>	<u>370,409</u>	<u>61,417</u>	<u>308,992</u>
Total	4,422,095	-	295,116	4,126,979	312,987	3,813,992
Compensated absences	<u>664,252</u>	<u>81,809</u>	<u>108,956</u>	<u>637,105</u>	<u>316,743</u>	<u>320,362</u>
Total	<u>\$ 5,086,347</u>	<u>\$ 81,809</u>	<u>\$ 404,072</u>	<u>\$ 4,764,084</u>	<u>\$ 629,730</u>	<u>\$ 4,134,354</u>
2009						
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond obligations	\$ 4,218,443	\$ -	\$ (225,825)	\$ 3,992,618	\$ 236,048	\$ 3,756,570
Capital lease obligation	<u>486,287</u>	<u>-</u>	<u>(56,810)</u>	<u>429,477</u>	<u>59,068</u>	<u>370,409</u>
Total	4,704,730	-	(282,635)	4,422,095	295,116	4,126,979
Compensated absences	<u>617,855</u>	<u>65,620</u>	<u>(19,223)</u>	<u>664,252</u>	<u>388,778</u>	<u>275,474</u>
Total	<u>\$ 5,322,585</u>	<u>\$ 65,620</u>	<u>\$ (301,858)</u>	<u>\$ 5,086,347</u>	<u>\$ 683,894</u>	<u>\$ 4,402,453</u>

During the year ended June 30, 2000, the College issued Bookstore Revenue Bonds, series 2000 for \$800,000 that bear interest at 5.75% and that mature in 2010. The bonds are collateralized by a pledge of general receipts of the bookstore. Proceeds were used for paying costs of acquiring an information management system.

During the year ended June 30, 2007, the College issued General Receipts Bonds, series 2006 for \$4,060,000 that bear interest at rates between 4.0% to 5.0% and that mature in 2026. Proceeds were used for paying construction costs of the Regional Learning Center. The bonds are collateralized by a pledge of general receipts of the College.

The College entered into the capital lease during the year ended June 30, 2006 to acquire energy conservation equipment. Payment is made at a quarterly amount of \$18,749 that includes interest at an annual rate of 3.907% over a 10 year term ending in 2015.

(Continued)

EDISON STATE COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010 and 2009

NOTE 5 - NONCURRENT LIABILITIES (Continued)

The annual debt service requirements to maturity for the bonds payable are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 251,570	\$ 166,028	\$ 417,598
2012	155,000	157,008	312,008
2013	160,000	150,708	310,708
2014	165,000	144,207	309,207
2015	175,000	137,189	312,189
2016-2020	1,000,000	553,425	1,553,425
2021-2025	1,265,000	279,140	1,544,140
2026-2027	<u>585,000</u>	<u>26,663</u>	<u>611,663</u>
Total	<u>\$ 3,756,570</u>	<u>\$ 1,614,368</u>	<u>\$ 5,370,938</u>

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2010:

Year Ending <u>June 30</u>	
2011	\$ 74,996
2012	74,996
2013	74,996
2014	74,996
2015	74,996
2016-2017	<u>38,461</u>
Total minimum lease payment	413,441
Less: amount representing interest	<u>43,032</u>
Present value of future minimum lease payments	<u>\$ 370,409</u>

NOTE 6 - STATE SUPPORT

The College is a State-assisted institution of higher education which receives a student-based subsidy determined annually using a formula devised by the Ohio Board of Regents. Also included in state appropriations in 2010, the College received State Fiscal Stabilization Funds through the American Reinvestment and Recovery Act ("ARRA"), totaling \$1,020,943, from the Ohio Board of Regents.

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 6 - STATE SUPPORT (Continued)

In addition to the student subsidies and SFSF, the State of Ohio provides the funding for construction and renovation of major plant facilities on the College campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission ("OPFC"), which in turn provides for the construction and renovation of the facility by the Ohio Board of Regents. Upon completion of a construction project, the Board of Regents turns over control to the College which capitalizes the cost. Renovations are capitalized in the period incurred. In 2009, voice and data switches were replaced to update and renovate our information network. In 2010, the West Hall roof was replaced and a project was begun to renovate existing science labs and repurpose classrooms for additional science lab space.

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

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

NOTE 7 - LEASE AGREEMENT

The College currently has a ten-year lease agreement with Darke County Board of Commissioners for the facilities located in Greenville, Ohio. The annual rental expense under this agreement was \$103,542 for the years ended June 30, 2010 and 2009.

At June 30, 2010, minimum lease payments under this lease are as follows:

Year Ending <u>June 30</u>	
2011	\$ 103,542
2012	8,629
Total minimum lease payment	<u>\$ 112,171</u>

NOTE 8 - RETIREMENT PLANS

College faculty participate in either the State Teachers Retirement System of Ohio ("STRS") or alternative retirements plan ("ARP"). Substantially, all other employees participant in either the Ohio Public Employees Retirement System ("OPERS") or the ARP. Both STRS and OPERS are state-wide, cost-sharing, multi-employer plans. OPERS and STRS provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits for STRS and OPERS is provided by state statute by Chapters 3307 and 145, respectively, of the Ohio Revised Code.

(Continued)

EDISON STATE COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010 and 2009

NOTE 8 - RETIREMENT PLANS (Continued)

The financial statements and supplementary information for OPERS and STRS are made available for public inspection. The reports may be obtained by writing or calling:

<p>OPERS 277 East Town Street Columbus, OH 43215-4642 (614) 222-6705</p>	<p>STRS 275 East Broad Street Columbus, OH 43215-3771 (614) 227-4002</p>
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The Ohio Revised Code provides statutory authority for employee and employer contributions. Effective January 1, 2008 the employee contribution rate was 10% for employees other than law enforcement. Effective January 1, 2008 the employer contribution rate for local government employers was 14%. The contribution requirements of plan members and the College are established and may be amended by state statute.

The College's contributions to OPERS and STRS for the years ended June 30, 2010, 2009 and 2008 were as follows:

<u>Years</u>	<u>Contribution</u>	
	<u>OPERS</u>	<u>STRS</u>
2010	\$ 485,071	\$ 681,089
2009	496,259	622,310
2008	492,596	613,367

The contributions made by the College were equal to the required contributions for each year.

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

Under the provisions of ARP, the required contribution rates of plan participants is 10.0% of employees' covered compensation for employees who would otherwise participate in STRS and OPERS. The College contributes 10.5% of a participating faculty member's compensation and 13.23% of a participating unclassified staff member's compensation to the participant's account. The College is also required to contribute an additional 3.5% of employees' covered compensation to STRS and .77% of employees' covered compensation to OPERS. Plan participants' contributions to STRS and OPERS were \$59,718 and \$63,846 and the College contributions to the Plan providers amounted to \$70,663 and \$73,860 respectively, for the years ended June 30, 2010 and 2009. In addition, the amounts contributed to STRS and OPERS by the College on behalf of ARP participants was \$14,728 and \$15,596 respectively, for the years ended June 30, 2010 and 2009.

(Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (“OPEB”)

STRS provides other postemployment benefits to all retirees and their dependents, while OPERS provides postretirement health care coverage to age and service restraints (and dependents) with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer’s contributions is set aside for the funding of postretirement health care. For STRS, this rate was 1% of the total 14% while the OPERS rate was .77% of the total 14% for the year ended June 30, 2010.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS. Postretirement health care under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to \$2.7 billion as of June 30, 2009. The number of benefit recipients eligible for OPEB was 129,659 for STRS at June 30, 2009. The amount contributed by the College to STRS to fund these benefits was \$48,649 for the year ended June 30, 2010.

Postretirement health care under OPERS is advanced-funded on an actuarially determined basis. The actuarial value of OPERS net assets available for OPEB at December 31, 2008 is \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.8 billion and \$17.0 billion, respectively. The number of OPERS active contributing participants was 357,584 for the year ended December 31, 2009. For the year ended June 30, 2010, the College contributed \$26,679 to OPERS for OPEB funding. Contributions equal the actuarially required contributions of the Plan for each year.

NOTE 10 - INSURANCE

The College maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The College also carries professional coverage for employees and its Board of Trustees. Over the past three years, settlement amounts related to these insured risks have not exceeded the College’s coverage amounts. There has been no significant change in coverage from last year.

NOTE 11 - CONTINGENCIES

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

NOTE 12 - SUBSEQUENT EVENT

The Edison Foundation, Inc. (the “Foundation”) has maintained capital campaign and other contributions for the purpose of assisting the College with making principal and interest payments on the College’s long-term debt. On October 1, 2010, the Foundation transferred these balances, in the amount of \$2,125,000, to the College based on the Foundation Board of Directors’ determination that the College is better suited to manage risks and administer the funds supporting the College’s payments on long-term debt.

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 13 - RELATED ORGANIZATION

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

The Foundation reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. Complete financial statements for the Foundation can be obtained from Edison State Community College, 1973 Edison Drive, Piqua, OH 45356.

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

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

Contributions: Donations are recorded as revenues in the year received or when a bequest is legally finalized. Unconditional pledges are recorded in the period that the pledges are received. Conditional pledges are recorded in the period in which the conditions have been met. Funds from pledges to be collected in future years are recorded at net present value. All pledges are net of an allowance for doubtful collections.

Pledges Receivable: As of June 30, 2010 and 2009, contributors to the Foundation have outstanding unconditional pledges totaling \$1,045,155 and \$1,586,020 respectively. Gross pledges receivable have been discounted to a net present value of \$890,859 and \$1,360,291 as of June 30, 2010 and 2009, respectively, which represents fair market value. The discount rate was 5% and 5% for 2010 and 2009. An allowance for doubtful pledges of \$62,360 and \$96,000 has been applied to the gross receivable balance as of June 30, 2010 and 2009. The allowance is based upon management's judgment, past collection experience and other relevant factors. All pledges have been classified as temporarily restricted net assets since they will either expire or be fulfilled within a specified period of time. Net pledges are as follows:

	<u>2010</u>	<u>2009</u>
Less than one year	\$ 418,756	\$ 491,651
One to five years	409,743	772,640
Total	<u>\$ 828,499</u>	<u>\$ 1,264,291</u>

Investments: Investments are stated at fair value, and realized and unrealized gains and losses are reflected in the statement of activities. Fair value is determined by market quotes. Donated investments are recorded at the fair market value at the time received. Realized gains or losses are determined based on the average cost method.

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 13 - RELATED ORGANIZATION (Continued)

Investments by major types for the years ended June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Corporate bonds	\$ 499,481	\$ 356,552
Equities	304,900	240,793
Mutual funds – fixed income	374,133	176,586
Mutual funds – equities	144,593	96,960
	<u>\$ 1,323,107</u>	<u>\$ 870,891</u>

Net realized gains on sale of investments were \$50,968 and \$(314,800) for the years ended June 30, 2010 and 2009, respectively. There were no capital gains distributions in either year.

Net Assets: Net assets are classified into three categories: (1) unrestricted net assets, which have no donor-imposed restrictions; (2) temporarily restricted net assets, which have donor-imposed restrictions that will expire or be satisfied in the future; and (3) permanently restricted net assets, which have donor-imposed restrictions that neither expire by passage of time nor can be fulfilled by actions of the Foundation.

SUPPLEMENTAL INFORMATION

EDISON STATE COMMUNITY COLLEGE
Board of Trustees and Administrative Personnel
June 30, 2010

<u>Board of Trustees</u>	<u>Title</u>	<u>Term of Office</u>
Mr. Darryl D. Mehaffie	Trustee	2005-2011
Mr. Douglas R. Murray	Trustee	2005-2011
Mr. Thomas P. Milligan	Trustee	2005-2011
Mrs. Judith K. Hartman	Vice Chairman	2007-2013
Mr. Ed Curry	Chairman	2007-2013
Mrs. J. Kathryn Lukey	Trustee	2007-2013
Mr. Jim Thompson	Trustee	2009-2015
Mrs. Mary K. Floyd	Trustee	2009-2015
Mr. Roger E. Luring	Trustee	2009-2015

<u>College Administration</u>	<u>Title</u>
Dr. Kenneth A. Yowell	President
Ms. Sharon Brown	Vice President for Education
Mr. Daniel R. Reke	Vice President for Administration and Finance
Ms. Debbie A. Hirtzinger	Controller
Ms. Sandra Brubaker	Associate Vice President of Enrollment Management and Student Development
Mr. David Gansz	Associate Vice President for Academic Information & Technology
Ms. Kathi Richards	Director, Student Financial Aid

Insurance

All employees were insured with Indiana Insurance Company for \$1,000,000. The effective date of the policy is July 1, 2009 to June 30, 2010.

Legal Counsel

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

College Location

1973 Edison Drive
Piqua, Ohio 45356

EDISON STATE COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended June 30, 2010

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education		
Direct Student Financial Aid Cluster:		
Federal Supplemental Educational Opportunity Grants	84.007	\$ 34,350
Federal Work Study	84.033	98,556
Federal Pell Grant	84.063	4,928,049
Federal Academic Competitiveness Grant	84.375	28,955
Federal Family Education Loans (Note 2)	84.032	<u>6,868,068</u>
Total student financial aid cluster		<u>11,957,978</u>
Passed Through State of Ohio Department of Education		
Vocational Education U.S.A.S. # 524	84.048	32,741
Tech Prep 065763-3ETC-2008	84.243	<u>111,942</u>
Total Passed Through State of Ohio Department of Education		<u>144,683</u>
Passed Through Ohio Board of Regents		
State Fiscal Stabilization Fund (SFSF) Educational State Grants, Recovery Act (Education Stabilization Fund)	84.394-ARRA	<u>1,020,943</u>
Total U.S. Department of Education		13,123,604
U.S. Department of Labor		
Community Based Job Training Grants (pass-through)	17.269	<u>317,114</u>
Total Expenditures of Federal Awards		<u>\$ 13,440,718</u>

EDISON STATE COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2010

NOTE 1 - BASIS OF PRESENTATION

This schedule includes the federal awards activity of Edison State Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Catalog of Federal Domestic Assistance ("CFDA") numbers are presented for those programs for which such numbers were available. All programs are presented by federal department. Pass-through programs are also presented by the entity through which the College received the federal award.

NOTE 2 - FEDERAL FAMILY EDUCATION LOAN PROGRAM

The College participates in the Federal Family Education Loan Program (including Stafford Loans and Supplemental Loans for Students). Loans processed by the College under this Loan Program were the following for the year ended June 30, 2010:

Federal Subsidized Stafford Loans	\$ 3,157,086
Federal Unsubsidized Stafford Loans	<u>3,710,982</u>
	<u>\$ 6,868,068</u>

The College is responsible only for the performance of certain administrative duties with respect to this student loan program and, accordingly, these loans are not included in the College's financial statements.



Crowe Horwath LLP
Independent Member Crowe Horwath International

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

Board of Trustees
Edison State Community College
Miami County
Piqua, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Edison State Community College a component unit of the State of Ohio, as of and for the year ended June 30, 2010, which collectively comprise the College's basic financial statements and have issued a report thereon dated the same date as this report. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

(Continued)

We noted certain matters that we reported to management of the College in a separate letter dated the same date as this report.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2010



Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Edison State Community College
Miami County
Piqua, Ohio

Compliance

We have audited the compliance of Edison State 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 June 30, 2010. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the College's management. 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

(Continued)

Internal Control Over Compliance

Management of the College 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion 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 expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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 noted certain other matters that we have reported to management in a separate letter dated the same date as this report.

This report is intended for the information of the management of Edison State Community College, its Board of Trustees, the Ohio Auditor of State, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2010

EDISON STATE COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2010 and 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	___X___ No	
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	___X___	None Reported
Noncompliance material to financial statements noted?	_____ Yes	___X___	No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?	_____ Yes	___X___ No	
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	___X___	None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? _____ Yes ___X___ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Student Financial Aid Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grants
84.032	Federal Family Education Loans
84.394 – ARRA	State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ Yes ___X___ No

(Continued)

EDISON STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2010 and 2009

Section II - Financial Statement Findings

There were no findings for the year ended June 30, 2010.

Section III - Federal Award Findings

There were no findings for the year ended June 30, 2010.

EDISON STATE COMMUNITY COLLEGE
SCHEDULE OF RESOLUTION OF PRIOR YEAR AUDIT FINDINGS
June 30, 2010

Section IV - Prior Year Findings and Questioned Costs

FINDING 09-01

Condition: During the audit we noted that certain journal entries were not approved by an employee at least one level above the preparer. These journal entries included manual and non-standard journal entries made prior to April 2009 and manual and non-standard entries made as part of the monthly closing process throughout the year.

Status: Corrected.

FINDING 09-02

Federal Programs: Pell Grants (CFDA No. 84.063), Federal Family Education Loans (CFDA No. 84.032).

Criteria: Volume 3 Chapter 7 of the Federal Student Aid Handbook outlines the various requirements for packaging student aid including cost of attendance, use of estimated family contribution, etc. Federal aid awarded cannot exceed a student's financial need unless it is unsubsidized loan funds which can be used to cover the student's estimated family contribution up to the cost of attendance.

Condition: During our review of 40 students, we noted the following: 1) one instance of an incorrect budget used during packaging, however, this did not result in an overaward; and 2) one instance of overaward of unsubsidized loan funds (\$384) in excess of the student's cost of attendance.

Status: Corrected.



Mary Taylor, CPA
Auditor of State

EDISON STATE COMMUNITY COLLEGE

MIAMI 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
DECEMBER 9, 2010**