EDISON STATE COMMUNITY COLLEGE

ANNUAL REPORT
WITH SUPPLEMENTAL INFORMATION

June 30, 2013 and 2012

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Edison State Community College, Miami County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2012 through June 30, 2013. 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.

Dave Yost
Auditor of State

October 22, 2013

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EDISON STATE COMMUNITY COLLEGE
Piqua, Ohio

ANNUAL REPORT
June 30, 2013 and 2012

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Independent Auditor's Report

To the Board of Trustees
Edison State Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Edison State Community College (the "College") and its discretely presented component unit as of and for the years ended June 30, 2013 and 2012 and the related notes to the financial statements, which collectively comprise Edison State Community College's basic financial statements as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Trustees
Edison State Community College

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Edison State Community College and its discretely presented component unit as of June 30, 2013 and 2012 and the changes in its financial position and, where applicable, cash flows thereof, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, effective July 1, 2012, the College adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Edison State Community College's basic financial statements. The other supplemental information and schedule of expenditures of federal awards, as identified in the table of contents, are presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and are not a required part of the basic financial statements.

To the Board of Trustees
Edison State Community College

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2013 on our consideration of Edison State Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering Edison State Community College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Edison State Community College's (the "College") financial statements provides an overview of the College's financial activities as of and for the years ended June 30, 2013 and 2012. 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, the GASB issued Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities,* which applies these standards to public colleges and universities.

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

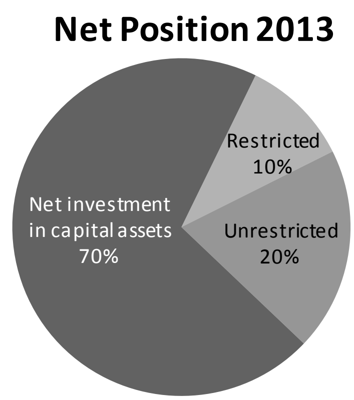
This annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements in the above-referred format, notes to financial statements, and supplemental information.

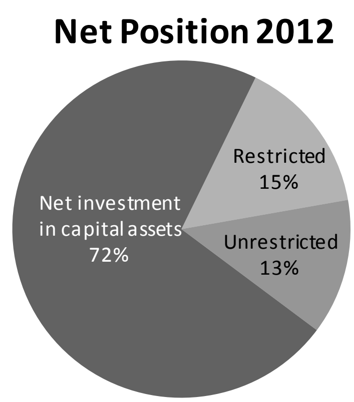
These statements include all assets and liabilities under the accrual basis of accounting, which is the same as the accounting used by most private sector institutions. All of the current year's revenue and expenses are taken in account regardless of when the cash is received or paid.

Financial Highlights

In the fiscal year ended June 30, 2013, the College's revenue and other support exceeded expenses, creating an increase in net position of $17,009, and unrestricted net position increased by $1,390,470. Although revenue declined from 2012, operating expenses also declined, as noted in the following analysis. In addition, the cash and short-term investment position of the College decreased by $242,241.

The following charts provide a graphical breakdown of net position by category for the fiscal years ended June 30, 2013 and 2012.





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

One of the most important questions asked about the College's finances is whether the College as a whole is better off or worse off as a result of the year's activities. The Statements of Net Position and the Statements of Revenue, Expenses, and Changes in Net Position report information on the College as a whole and on its activities in a way that helps answer this question. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving or deteriorating. Other indicators of the College's overall health must also be considered. These include the trend and quality of applicants, class size, student retention, strength of faculty, condition of the buildings, and the safety of campus. All are necessary to assess the overall health of the College. The College's financial position in FY2012 improved over 2011 due to careful cost containment and increased tuition rates offset by lower enrollment and reduced state support. The College's financial position was stronger at June 30, 2013 than it was in the prior year. In FY2013, improvements resulting from cost containment and a smaller increase in tuition rates (compared to 2012) were offset by reduced enrollment, support from the Foundation, and capital grants and appropriations.

The following is a summary of the major components of net position and operating results of the College as of and for the years ended June 30, 2013, 2012, and 2011:

	2013	2012	2011
Current assets	$ 6,462,479	$ 8,042,965	$ 6,482,783
Noncurrent assets			
Capital assets - Net	17,191,360	17,833,880	17,862,192
Other	1,874,366	1,003,237	1,516,451
Total assets	$ 25,528,205	$ 26,880,082	$ 25,861,426
Current liabilities	$ 1,977,367	$ 3,021,917	$ 2,803,725
Noncurrent liabilities	3,343,108	3,667,444	3,820,796
Total liabilities	5,320,475	6,689,361	6,624,521
Net Position			
Net investment in capital assets	14,167,866	14,568,793	14,393,344
Restricted	2,099,234	3,071,768	2,695,999
Unrestricted	3,940,630	2,550,160	2,147,562
Total net position	$ 20,207,730	$ 20,190,721	$ 19,236,905

	Years Ended June 30		
	2013	2012	2011
Operating revenues			
Student tuition and fees	$ 9,428,694	$ 9,977,166	$ 10,289,354
Less grants and scholarships	(5,229,300)	(6,151,638)	(6,249,923)
Net student tuition and fees	4,199,394	3,825,528	4,039,431
Federal grants and contracts	204,953	654,593	381,116
State and local grants and contracts	107,994	105,046	186,209
Auxiliary activities	268,717	333,599	302,213
Other operating revenues	226,182	164,570	196,557
Total operating revenues	5,007,240	5,083,336	5,105,526
Operating expenses			
Educational and general instruction			
Instruction	6,793,019	7,113,594	7,450,109
Public service	664,912	746,005	775,868
Academic support	1,024,190	1,062,891	1,023,024
Student services	1,867,473	1,764,416	2,068,881
Institutional support	3,986,542	4,286,844	4,417,859
Plant operations and maintenance	1,496,789	1,441,299	1,573,059
Depreciation	1,004,612	988,764	1,023,013
Student aid	192,189	228,444	231,284
Auxiliary enterprises - bookstore	12,390	10,297	11,020
Total operating expenses	17,042,116	17,642,554	18,574,117
Operating loss	(12,034,876)	(12,559,218)	(13,468,591)
Nonoperating revenues (expenses) and other changes			
Federal grants and contracts	5,093,261	6,050,015	6,096,452
State appropriations including ARRA funds	6,619,428	6,564,156	7,232,828
Interest expense	(159,973)	(168,828)	(179,820)
Other nonoperating revenues	276,430	548,160	2,196,969
Capital grants	222,739	334,249	334,249
Capital appropriations	-	185,282	138,209
Total nonoperating revenues and other changes	12,051,885	13,513,034	15,818,887
Change in net position	$ 17,009	$ 953,816	$ 2,350,296

Operating Revenue

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

The following factors had a significant impact on the fiscal year 2013 operating revenue:

- Student tuition and fees decreased by 5.5%, or $548,472 because academic year 2012/2013 enrollment was down by 10.8% as compared to the prior year. The enrollment decline was partially offset by an increase in tuition and fees of approximately $6.70 per credit hour, or 5.2%. Net student tuition and fees increased by $373,866, or 9.8% due to a reduction in indirect costs related to Federal Pell Grant awards (which are reported as a reduction in net student tuition and fees) of $946,509, or 13.9% of net student tuition and fees. Note that decreases in indirect costs for Pell Grants are offset by similar increases in revenues from Pell Grants, which are reported as other revenues from federal grants and contracts.

- Federal grants and contracts revenue decreased by $449,640 or 68.7%, because the College received a $450,600 Energy Efficiency Conservation Block Grant in FY2012 that was not replicated in FY2013. Remaining federal grants remained consistent with FY2012.

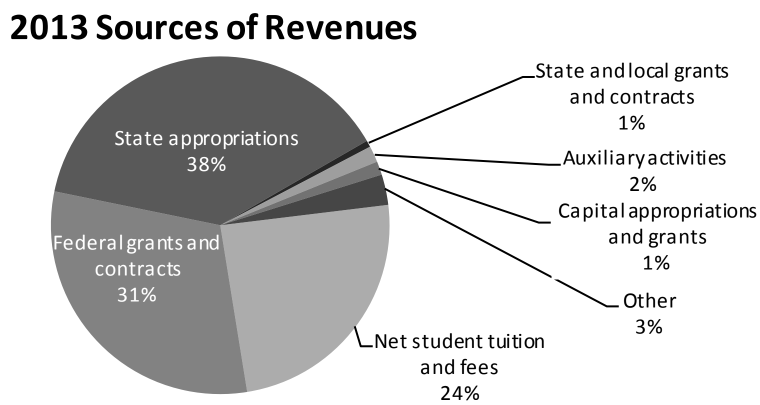
The following factors had a significant impact on the fiscal year 2012 operating revenue:

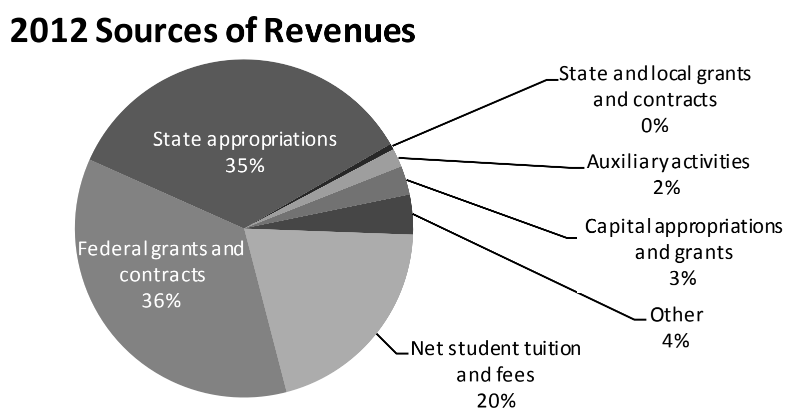
- Student tuition and fees decreased by 3.0%, or $312,188 because academic year 2011/2012 enrollment was down by 6.8% as compared to the prior year. The enrollment decline was partially offset by an increase in tuition and fees of $4.30 per credit hour, or 3.5%. Net student tuition and fees declined by $213,903, or 5.3%.

- Federal grants and contracts revenue increased by $273,477, or 71.8% because the College received a $450,600 Energy Efficiency Conservation Block Grant that was awarded in late FY2011. Although the grant was awarded in FY2011, the revenue was received in FY2012 as expenses which it funded were incurred. That grant was offset by decreases in other federal grants.

- State and Local Grants were $81,163 or 43.6% lower than in 2011 due to the almost total elimination of State Tech Prep funding.

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





Operating Expenses

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

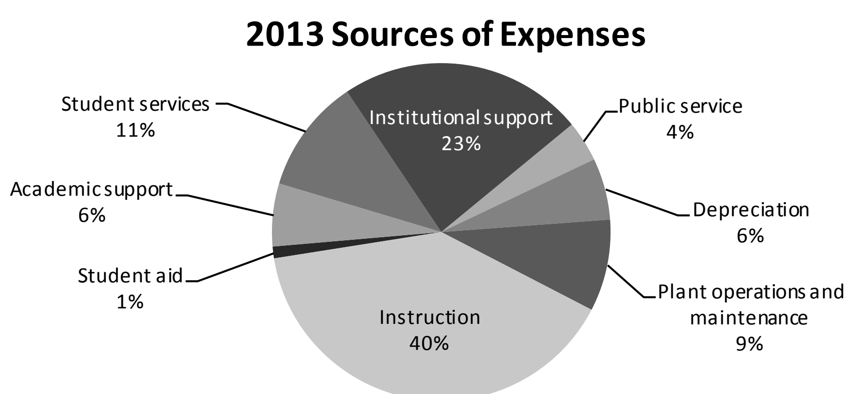
Fiscal year 2013 expenses were affected by the following:

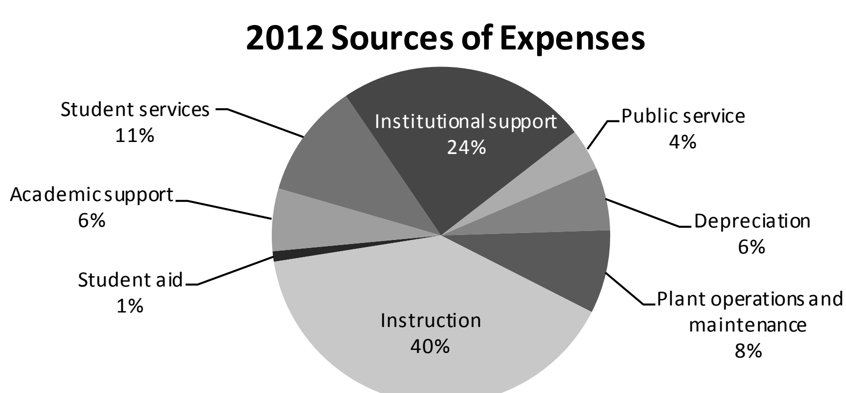
- Instructional spending was down by $320,575, or 4.5%, primarily because lower enrollment enabled the College to reduce the number of course sections offered, thus reducing the expense of part-time faculty.
- Student services spending increased $103,057, or 5.8%, due primarily to a reorganization in which the wages, benefits, and other applicable expenses related to 3.75 IT employees were transferred from institutional support to student services. The reorganization was effective October 1, 2012.
- Institutional support spending decreased by $300,302, or 7.0% as a result of the aforementioned reorganization, strategic cost cutting measures, and vacancies in several key positions during FY2013, which were either filled prior to year end or have subsequently been filled in FY2014.

Fiscal year 2012 expenses were affected by the following:

- Instructional spending was down by $336,515, or 4.5%, primarily because lower enrollment enabled the College to reduce the number of course sections offered, thus reducing the expense of part-time faculty.
- Student services spending was $304,465, or 14.7% lower due to two factors. The largest was the almost complete elimination by the State of Ohio of the Tech Prep grant program and its attendant expenses. The remainder of the decrease was a result of cost savings and expense management in several of the departments.
- Institutional support spending decreased by $131,015, or 3.0% as a result of the presidential search being completed in 2011 thus resulting in elimination of those expenses in 2012.
- Plant Operations and maintenance declined by $131,760 or 8.4% as a result of energy savings and reductions in repair and maintenance expenses which were achieved without deferring maintenance.

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





Nonoperating Revenues and Other Changes

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

Fiscal year 2013 nonoperating revenues and other changes were significantly affected by the following factors:

- Federal grants and contracts were $956,754, or 15.8%, lower than the prior year primarily due to a decrease in Federal Pell Grant awards during FY2013. Pell Grants decreased $958,210, or 15.9%, from the prior year.
- Gifts from the Foundation, which totaled $235,190 in FY2013, are reported as a component of other nonoperating revenues. Gifts included $119,500 of contributions collected by the Inventing Tomorrow Together Capital Campaign in FY2013 and transferred from the Foundation to the College. In addition, scholarship and other funds transferred amounted to $115,690, which included $99,857 for student services from the Texas Guaranteed Grant. The total of $235,190 was significantly lower than the total in FY2012 because in FY2012, the Foundation collected and transferred a total of $475,000 related to the Inventing Tomorrow Together Capital Campaign. See below for more information about FY2012.

Fiscal year 2012 nonoperating and other revenues were significantly affected by the following factors:

- State appropriations, known as State Share of Instruction, decreased by 9.2% or $668,672 due to a lower state appropriation for all state colleges and universities.
- Gifts from the Foundation included $475,000 of contributions collected by the Inventing Tomorrow Together Capital Campaign in FY2012 and transferred from the Foundation to the College. In addition, scholarship and other funds transferred amounted to $50,720. The total of $525,720 was significantly lower than the total in FY2011, because in FY2011, the Foundation transferred all of the gifts from the Foundation that were received as pledge commitments in FY2011 and prior years.

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

Cash Flows for the Years Ended June 30, 2013, 2012, and 2011

	2013	2012	2011
Cash provided by (used in):			
Operating activities	$ (10,823,528)	$ (11,870,472)	$ (12,581,056)
Noncapital financing activities	11,947,879	13,139,891	15,505,646
Capital and related financing activities	(536,703)	(832,322)	(392,281)
Investing activities	948,984	(159,267)	(3,286,952)
Net increase (decrease) in cash and cash equivalents	1,536,632	277,830	(754,643)
Cash and cash equivalents - beginning of year	1,775,202	1,497,372	2,252,015
Cash and cash equivalents - end of year	$ 3,311,834	$ 1,775,202	$ 1,497,372

The College's cash position improved by $1,536,632 in fiscal year 2013. The primary reasons for the increase were a decrease in net accounts receivable of $1,351,864, which was offset by a decrease in unearned student fee income of $706,952, and proceeds from maturities of investment exceeding new investment purchases by $947,745.

The College's cash position improved by $277,830 in fiscal year 2012. The primary reason for that increase was revenue exceeded expenses by $953,816, although the impact on cash position was partially offset by an increase in accounts receivable and the use of cash to make principal payments on debt and to purchase investments.

Capital Assets

As of June 30, 2013, the College had approximately $31.9 million in capital assets, less accumulated depreciation of $14.7 million for a net of $17.2 million invested. Depreciation charges totaled approximately $1.0 million for the current and prior two fiscal years.

The net book value of capital assets at June 30, 2013, 2012, and 2011 is as follows:

	2013	2012	2011
Land and land improvements	$ 736,236	$ 751,218	$ 738,554
Building and improvements	6,319,967	6,745,340	6,522,231
Student conference center	3,214,342	3,383,952	3,553,561
Center for Excellence	6,155,558	6,314,193	6,472,826
Equipment	765,252	639,072	574,915
Vehicles	5	105	105
Total	$ 17,191,360	$ 17,833,880	$ 17,862,192

Long-Term Debt

The College currently has bonds payable which consist of a 4.0% series 2006 General Receipts Bond due December 2026. Scheduled interest and principal payments have been made on the bonds. The University's bonds are currently rated "AAA" by Standard & Poor's.

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

Economic Factors and Future Years' Budgets

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

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

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

- Demographic: The number of traditional college age Ohio students (those graduating from high school) is declining from year to year, while the average age of our community college students is increasing, as individuals who are out of work or have had their work hours reduced retool for new professions.
- Economic: Enrollment increased dramatically during the recession, but has decreased as the economy and job availability improved.
- Policy: The effort to change the focus of the State Share of Instruction (SSI) formula, as described in last year's discussion, will be implemented in FY15. The new formula represents a shift from an emphasis on enrollment to an emphasis on completion. Edison is represented on the various committees working to complete the formula, and as noted above, is working on strategies to increase student success.
- Policy: The Ohio Board of Regents and the Office of Budget Management have both begun to emphasize operational efficiencies through shared services and other collaborative arrangements between state and local government entities. Edison currently participates in a collaborative insurance buying program and is represented on the Board of Regents new Efficiency Committee. Edison's fiscal sustainability strategies could be enhanced by this committee's efforts.

- Policy: The state has increased the emphasis on campus safety, security and emergency processes and procedures in light of recent active shooter incidents and natural disasters. Edison has adequate policies in place, although we are currently reviewing our procedures in light of new information and requirements. Edison is represented on the Board of Regents Safety Committee.

Edison Community College also has several opportunities that will impact our future financial position.

- Work Force Training and Education Demand: Edison currently supports work force training, employee development and education (some of which also includes for-credit course delivery) for a number of manufacturers in our region. Many of these firms have told us that their need for new employees is double the number of our engineering technologies and computer information technologies graducates, indicating that they have more current and future job opportunities than we can currently supply.
- Underserved Constituency: The percentage of residents with college degrees in all three Ohio counties we serve are well below the state average, as is per capita income. This represents a potential market that our strategies will attempt to tap.

Edison's future forecast.

- FY14: Because student enrollment is slightly greater than forecasted in the current FY14 budget and we continue to strive for fiscal sustainability, we anticipate that net assets will increase somewhat compared to FY13.
- FY15: Forecasting an additional year in advance is always difficult. However, assuming no significant economic or policy changes and the positive implementation of our strategies, we would expect 2015 to exhibit a more positive financial result.
- FY15/16 Capital Budget: The capital budget (actually over six years, with most emphasis on the first two years) offers the opportunity to request the resources necessary to meet student and workforce education requirements in terms of facilities, instructional resources, etc. If our budget is approved, we would expect a positive financial impact to accrue in future years.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	College 2013	College 2012	College Related Foundation 2013	College Related Foundation 2012
Assets				
Current Assets				
Cash and cash equivalents	$ 3,311,834	$ 1,775,202	$ -	$ -
Restricted investments	-	-	-	-
Investments	754,323	2,533,196	-	-
Accounts and pledges receivable (net)	2,214,442	3,566,306	106,700	105,717
Prepaid expenses and other	173,175	158,502	4,508	4,085
Inventories	8,705	9,759	-	-
Total current assets	6,462,479	8,042,965	111,208	109,802
Noncurrent Assets				
Account and pledges receivable (net)	-	-	-	96,790
Restricted investments	1,874,366	1,003,237	142,526	303,254
Investments	-	-	1,727,973	1,517,769
Capital assets (net)	17,191,360	17,833,880	-	-
Total noncurrent assets	19,065,726	18,837,117	1,870,499	1,917,813
Total assets	$ 25,528,205	$ 26,880,082	$ 1,981,707	$ 2,027,615
Liabilities				
Current Liabilities				
Accounts payable and accruals	$ 339,937	$ 764,798	$ -	$ -
Accrued salaries, wages, and benefits	693,339	598,521	-	-
Unearned revenues	710,054	1,417,006	-	-
Capital lease obligation, current	69,037	81,592	-	-
Long-term debt, current	165,000	160,000	-	-
Total current liabilities	1,977,367	3,021,917	-	-
Noncurrent Liabilities				
Accrued compensated absences	208,409	298,707	-	-
Capital lease obligation	109,699	178,737	-	-
Long-term debt	3,025,000	3,190,000	-	-
Total liabilities	5,320,475	6,689,361	-	-
Net Position				
Net investment in capital assets	14,167,866	14,568,793	-	-
Restricted - expendable	2,099,234	3,071,768	658,625	672,847
Restricted - nonexpendable	-	-	133,622	132,332
Unrestricted	3,940,630	2,550,160	1,189,460	1,222,436
Total net position	$ 20,207,730	$ 20,190,721	$ 1,981,707	$ 2,027,615

See Notes to Financial Statements.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2013 and 2012

	College 2013	College 2012	College Related Foundation 2013	College Related Foundation 2012
Operating revenue				
Student tuition and fees	$ 9,428,694	$ 9,977,166	$ -	$ -
Less grants and scholarships	(5,229,300)	(6,151,638)	-	-
Net student tuition and fees	4,199,394	3,825,528	-	-
Federal grants and contracts	204,953	654,593	-	-
State and local grants and contracts	107,994	105,046	-	-
Auxiliary enterprises - bookstore	268,717	333,599	-	-
Gifts	-	-	317,248	286,629
Other operating revenue	226,182	164,570	-	-
Total revenues, gains and other support	5,007,240	5,083,336	317,248	286,629
Operating expenses				
Instruction	6,793,019	7,113,594	-	-
Public service	664,912	746,005	-	-
Academic support	1,024,190	1,062,891	-	-
Student services	1,867,473	1,764,416	-	-
Institutional support	3,986,542	4,286,844	157,583	188,158
Plant operations and maintenance	1,496,789	1,441,299	-	-
Depreciation and amortization	1,004,612	988,764	-	-
Student aid	192,189	228,444	-	-
Auxiliary enterprises	12,390	10,297	-	-
Total operating expenses	17,042,116	17,642,554	157,583	188,158
Operating (loss) income	(12,034,876)	(12,559,218)	159,665	98,471
Nonoperating revenues (expenses)				
Federal grants and contracts	5,093,261	6,050,015	-	-
State appropriations	6,619,428	6,564,156	-	-
Gifts - including $235,190 and $525,720 from Foundation for 2013 and 2012, respectively	235,190	525,720	2,963	7,747
Investment income, net of expense	41,240	41,350	103,264	34,294
Interest expense	(159,973)	(168,828)	-	-
Loss on fixed asset disposals	-	(18,910)	-	-
Transfer from Edison Foundation	-	-	(311,800)	(547,693)
Total nonoperating revenues (expenses)	11,829,146	12,993,503	(205,573)	(505,652)
Income (loss) before other changes	(205,730)	434,285	(45,908)	(407,181)
Other changes				
Capital grants	222,739	334,249	-	-
Capital appropriation	-	185,282	-	-
Total other changes	222,739	519,531	-	-
Change in Net Position	17,009	953,816	(45,908)	(407,181)
Net position at beginning of year	20,190,721	19,236,905	2,027,615	2,434,796
Net position at end of year	$ 20,207,730	$20,190,721	$ 1,981,707	$ 2,027,615

See Notes to Financial Statements.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Student tuition and fees	$ 4,844,306	$ 3,693,461
Grants and contracts	312,947	498,851
Payments to vendors and employees	(16,475,680)	(16,572,868)
Auxiliary enterprises	268,717	333,599
Other receipts	226,182	176,485
Net cash used in operating activities	(10,823,528)	(11,870,472)
Cash flows from noncapital financing activities		
State appropriations	6,619,428	6,564,156
Federal grants and contracts	5,093,261	6,050,015
Gifts	235,190	525,720
Net cash from noncapital financing activities	11,947,879	13,139,891
Cash flows from capital and related financing activities		
Capital grants	222,739	334,249
Capital appropriations	-	185,282
Purchases of capital assets	(357,876)	(960,452)
Interest paid on outstanding debt	(159,973)	(168,828)
Loss on fixed asset disposals	-	(18,910)
Principal paid on outstanding debt	(241,593)	(203,663)
Net cash used in capital and related financing activities	(536,703)	(832,322)
Cash flows from investing activities		
Proceeds from maturities of investments	6,080,966	312,007
Purchase of investments	(5,133,221)	(512,624)
Interest on investments	1,239	41,350
Net cash from (used in) investing activities	948,984	(159,267)
Net increase in cash and cash equivalents	1,536,632	277,830
Cash and cash equivalents, beginning of year	1,775,202	1,497,372
Cash and cash equivalents, end of year	$ 3,311,834	$ 1,775,202
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (12,034,876)	$ (12,559,218)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,000,396	983,640
Changes in assets and liabilities:		
Accounts receivable	1,351,864	(263,977)
Inventories	1,054	5,979
Prepaid expenses and other	(14,673)	(4,660)
Accounts payable and accruals	(424,861)	260,267
Accrued salaries, wages, and benefits	4,520	(175,540)
Unearned revenues	(706,952)	(116,963)
Net cash used in operating activities	$ (10,823,528)	$ (11,870,472)

See 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.

The College has adopted GASB Statement No. 61, *Financial Reporting Entity: Omnibus*. This statement provides criteria for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the College has one component unit. 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 Position Classifications: In accordance with GASB Statement No. 63 guidelines, the College's resources are classified into the following net asset categories:

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Versus Nonoperating Revenue 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 as well as Pell grants, which are included in nonoperating federal grants and contracts on the statement of revenue, expenses and changes in net position, are reported as non-operating revenue as required by GASB Statement No. 35 and recent updates in the GASB's *Implementation Guide*, including state appropriations, investment income, and Pell grants.

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

Accounts Receivable: Accounts receivable primarily consist 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. Allowance is determined based on historical analysis.

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

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

The restricted investments on the statement of net position consist of Capital Campaign funds that are to be used toward the debt service payments on the Series 2006 bonds. These funds were raised by the Edison Foundation and are transferred to the College annually.

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 net investment in capital assets component of net position 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
Student conference center	3 - 45 years
Center for excellence	45 years
Equipment and fixtures	3 - 20 years

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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 revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle: Effective July 1, 2012, The college implemented the provisions of Governmental Accounting Standards Board statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

Reclassification: The June 30, 2012 accounts receivable and unearned revenue balances have been reclassified by approximately $2.5 million to conform to the current year presentation. These reclassifications had no impact on the total net position or the change in net position.

NOTE 2 - CASH AND INVESTMENTS

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

Cash and Cash Equivalents: At June 30, 2013 and 2012, the carrying amount of the College's cash and cash equivalents was $3,311,834 and $1,775,202, respectively, (included in cash and cash equivalents in the statements of net position) and the bank balances were $3,595,252 and $2,195,386, respectively, that are placed with federally insured banks. The remaining balances of $345,241 at June 30, 2013 and 2012 were invested in United States government securities. These arrangements are in compliance with the Ohio Revised Code. Cash is generally in excess of the Federal Deposit Insurance Corporation's insurance limit. However, the College has not experienced any significant losses and does not believe it is subject to significant risk. These arrangements are in compliance with the Ohio Revised Code.

(Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued)

Included in cash and cash equivalents are $12,240 and $12,231 at June 30, 2013 and 2012, respectively, which were 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, 2013 and 2012. STAR Ohio has an AAA rating.

Investments: Investments are stated at their fair value of $2,628,689 and are invested in certificates of deposit covered by federal depository insurance.

The fair value and cost of deposits and investments, by type, at June 30, 2013 and 2012 are as follows:

	2013	2012
Cash	$ 3,299,594	$ 1,762,971
STAR Ohio	12,240	12,231
Certificates of deposit	2,628,689	3,536,433
Total	$ 5,940,523	$ 5,311,635

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2013 and 2012 consist of billings for student fees and receivables arising from grants and are summarized as follows:

	2013	2012
Student charges	$ 1,057,885	$ 1,317,779
Post-secondary enrollment options program	1,623,542	1,916,466
Other	458,632	1,173,799
Allowance for doubtful accounts	(925,617)	(841,738)
Total	$ 2,214,442	$ 3,566,306

(Continued)

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in the capital assets and related accumulated depreciation during the 2013 and 2012 fiscal years:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Cost:				
Land	$ 688,414	$ -	$ -	$ 688,414
Land improvements	599,777	-	-	599,777
Buildings and improvements	13,845,430	-	-	13,845,430
Student conference center	6,208,972	-	-	6,208,972
Center for Excellence	7,138,503	-	-	7,138,503
Equipment	3,005,754	357,876	-	3,363,630
Vehicles	74,162	-	-	74,162
Total	31,561,012	357,876	-	31,918,888
Less accumulated depreciation:				
Land improvements	536,973	14,982	-	551,955
Buildings and improvements	7,100,090	425,373	-	7,525,463
Student conference center	2,825,020	169,610	-	2,994,630
Center for Excellence	824,310	158,635	-	982,945
Equipment	2,366,682	231,696	-	2,598,378
Vehicles	74,057	100	-	74,157
Total	13,727,132	1,000,396	-	14,727,528
Capital assets - Net	$17,833,880	$ (642,520)	$ -	$ 17,191,360

(Continued)

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Cost:				
Land	$ 688,414	$ -	$ -	$ 688,414
Land improvements	569,075	30,702	-	599,777
Buildings and improvements	13,211,081	634,349	-	13,845,430
Student conference center	6,208,972	-	-	6,208,972
Center for Excellence	7,138,503	-	-	7,138,503
Equipment	3,441,591	310,491	(746,328)	3,005,754
Vehicles	74,162	-	-	74,162
Total	31,331,798	975,542	(746,328)	31,561,012
Less accumulated depreciation:				
Land improvements	518,935	18,038	-	536,973
Buildings and improvements	6,688,850	411,240	-	7,100,090
Student conference center	2,655,411	169,609	-	2,825,020
Center for Excellence	665,677	158,633	-	824,310
Equipment	2,866,676	226,120	(726,114)	2,366,682
Vehicles	74,057	-	-	74,057
Total	13,469,606	983,640	(726,114)	13,727,132
Capital assets - Net	$17,862,192	$ (8,098)	$ (20,214)	$ 17,833,880

NOTE 5 - NONCURRENT LIABILITIES

Noncurrent liabilities as of June 30, 2013 and 2012 are summarized as follows:

	2013					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond obligations	$3,350,000	$ -	$ 160,000	$3,190,000	$ 165,000	$3,025,000
Capital lease obligation	260,329	-	81,593	178,736	69,037	109,699
Total	3,610,329	-	241,593	3,368,736	234,037	3,134,699
Compensated absences	569,628	60,294	133,902	496,020	287,611	208,409
Total	$4,179,957	$ 60,294	$ 375,495	$3,864,756	$ 521,648	$3,343,108

(Continued)

NOTE 5 - NONCURRENT LIABILITIES (Continued)

	2012					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond obligations	$3,505,000	$ -	$ 155,000	$3,350,000	$ 160,000	$3,190,000
Capital lease obligation	308,992	15,195	63,858	260,329	81,592	178,737
Total	3,813,992	15,195	218,858	3,610,329	241,592	3,368,737
Compensated absences	513,772	67,662	11,806	569,628	270,921	298,707
Total	$4,327,764	$ 82,857	$ 230,664	$4,179,957	$ 512,513	$3,667,444

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

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 2016.

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

Year Ending June 30	Principal	Interest	Total
2014	$ 165,000	$ 144,208	$ 309,208
2015	175,000	137,189	312,189
2016	180,000	129,645	309,645
2017	190,000	121,070	311,070
2018	200,000	111,320	311,320
2019-2022	900,000	337,780	1,237,780
2023-2027	1,380,000	159,412	1,539,412
Total	$ 3,190,000	$ 1,140,624	$ 4,330,624

(Continued)

NOTE 5 - NONCURRENT LIABILITIES (Continued)

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, 2013:

Year Ending June 30	
2014	$ 74,996
2015	74,996
2016	38,461
Total minimum lease payment	188,453
Less amount representing interest	9,717
Present value of future minimum lease payments	$ 178,736

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

NOTE 6 - STATE SUPPORT

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

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

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

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

(Continued)

NOTE 7 - LEASE AGREEMENTS

The College currently has a five-year lease agreement effective September 1, 2011 with Darke County Board of Commissioners for the facilities located in Greenville, Ohio with the option to renew for an additional five-year term. The annual rental expense under this agreement is $107,856. The annual rental expense under the additional five-year term is $112,170. College also has a five-year lease agreement effective April 19, 2012 for office equipment. The annual rental expense under the agreement is $64,668.

At June 30, 2013, minimum lease payments under this lease are as follows:

Year Ending June 30	
2014	$ 172,524
2015	172,524
2016	172,524
2017	165,346
2018	112,176
Thereafter	355,201
Total minimum lease payments	$ 1,150,295

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 participate 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.

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

OPERS	STRS
277 East Town Street	275 East Broad Street
Columbus, OH 43215-4642	Columbus, OH 43215-3771
(614) 222-6705	(614) 227-4002

The Ohio Revised Code provides statutory authority for employee and employer contributions. Effective January 1, 2010, the employee contribution rate was 10% for employees other than law enforcement. Effective January 1, 2010, 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.

(Continued)

NOTE 8 - RETIREMENT PLANS (Continued)

The College's contributions to OPERS and STRS for the years ended June 30, 2013, 2012, and 2011 were as follows:

	Contribution	
Years	OPERS	STRS
2013	$ 507,196	$ 604,898
2012	499,248	637,044
2011	516,542	704,701

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 are 10.0% of employees' covered compensation for employees who would otherwise participate in STRS or OPERS. The College contributes 10.5% of a participating faculty member's compensation and 13.23% of participating non-faculty 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 $66,257 and $75,196 and the College contributions to the Plan providers amounted to $112,876 and $113,406, respectively, for the years ended June 30, 2013 and 2012. In addition, the amounts contributed to STRS and OPERS by the College on behalf of ARP participants were $18,650 and $22,593, respectively, for the years ended June 30, 2013 and 2012.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

STRS provides other postemployment benefits to all retirees and their dependents, while OPERS provides postretirement healthcare 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, 2013.

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. Net assets available in the health care reserve fund for STRS amounted to $3.1 billion as of June 30, 2012. The number of benefit recipients eligible for OPEB was 143,256 for STRS at June 30, 2012. The amount contributed by the College to STRS to fund these benefits was $43,207 for the year ended June 30, 2013.

(Continued)

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

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, 2012 is $12.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $31.0 billion and $18.9 billion, respectively. The number of OPERS active contributing participants was 349,189 for the year ended December 31, 2012. For the year ended June 30, 2012, the College contributed $20,288 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 been negligible.

NOTE 11 - CONTINGENCIES

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

NOTE 12 - FEDERAL DIRECT LENDING PROGRAM

The College distributed $7,690,204 for student loans through the U.S. Department of Education federal direct lending program for the year ended June 30, 2013. The College distributed $8,115,334 for student loans through the U.S. Department of Education federal direct lending program for the year ended June 30, 2012. These distributions and related funding source are not included as expenses or revenue in the accompanying financial statements.

NOTE 13 - RELATED ORGANIZATION

The Edison Foundation, Inc. (the “Foundation”) is a separate not-for-profit entity organized for the purpose of promoting educational activities of the College. Since 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 25-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Amounts transferred to the College from the Foundation are recorded as nonoperating gifts in the accompanying financial statements.

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

(Continued)

NOTE 13 - RELATED ORGANIZATION (Continued)

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 revenue 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, 2013 and 2012, contributors to the Foundation have outstanding unconditional pledges totaling $110,000 and $224,750, respectively. Gross pledges receivable were discounted to a net present value of $208,769 as of June 30, 2012, which represents fair market value. The discount rate was 5 percent in 2012. An allowance for doubtful pledges of $3,300 and $6,263 has been applied to the gross receivable balance as of June 30, 2013 and 2012, respectively. 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:

	2013	2012
Less than one year	$ 106,700	$ 105,717
One to five years	-	96,790
Total	$ 106,700	$ 202,507

Investments: Investments are stated at fair value, and realized and unrealized gains and losses are reflected in the statements of revenue, expenses, and changes in net assets. 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.

Investments by major types for the years ended June 30, 2013 and 2012 are as follows:

	2013	2012
Corporate bonds	$ 448,085	$ 564,526
Equities	514,578	334,968
Mutual funds - Fixed income	290,962	389,390
Mutual funds - Equities	395,024	169,999
Mutual funds - Real Estate Investment Trust	79,324	58,887
Total	$ 1,727,973	$ 1,517,769

(Continued)

NOTE 13 - RELATED ORGANIZATION (Continued)

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

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2013 and 2012 and the valuation techniques used by the Foundation to determine those fair values.

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

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

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

(Continued)

NOTE 13 - RELATED ORGANIZATION (Continued)

	Fair Value Measurements at June 30, 2013		
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Fixed income - Domestic	$ 462,137	$ -	$ -
Fixed income - International	122,684	-	-
Fixed income - U.S. agencies	154,225	-	-
Equities - Domestic	848,349	-	-
Equities - International	61,254	-	-
Equities - REITS	79,324	-	-
Total	$ 1,727,973	$ -	$ -

	Fair Value Measurements at June 30, 2012		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Fixed income - Domestic	$ 643,487	$ -	$ -
Fixed income - International	53,068	-	-
Fixed income - U.S. agencies	257,361	-	-
Equities - Domestic	464,315	-	-
Equities - International	40,651	-	-
Equities - REITS	58,887	-	-
Total	$ 1,517,769	$ -	$ -

Net realized and unrealized (losses) gains on investments were $60,904 and ($9,211) for the years ended June 30, 2013 and 2012, 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 for scholarships and capital improvements 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.

(Continued)

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Items Previously Reported as Assets and Liabilities*:* In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

Accounting and Financial Reporting for Pensions*:* In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. The provisions of this Statement are effective for financial statements for periods beginning after June 30, 2014.

(Continued)

SUPPLEMENTAL INFORMATION

College Administration	Title
Dr. Cristobal Valdez	President
Ms. Patti Ross	Senior Vice President for Academic Affairs
Mr. John Shishoff	Vice President of Administration and Finance
Mr. David Gansz	Vice President of Information Technology
Mrs. Sharon Farling	Interim Controller
Ms. Kathi Richards	Director of Financial Aid
Mrs. Linda Peltier	Vice President of Strategic Human Resources

Insurance
All employees were insured with WRM (Wright Risk Management) for $1,000,000. The effective date of the policy is May 1, 2013 to November 1, 2013.

Legal Counsel
Mike DeWine, Ohio Attorney General
Education Section
30 E. Broad St., 16th Floor
Columbus, OH 43215

College Location
1973 Edison Drive
Piqua, Ohio 45356

Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
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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*

Independent Auditor's Report

To Management and the Board of Trustees
Edison State Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Edison State Community College and its discretely presented component unit as of and for the year ended June 30, 2013, and related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 11, 2013.

Internal Control Over Financial Reporting

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

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

To Management and the Board of Trustees
Edison State Community College

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2013-001, 2013-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Edison State Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Edison State Community College's Response to Findings

Edison State Community College's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Edison State Community College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 11, 2013

Plante & Moran, PLLC
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Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees
Edison State Community College

Report on Compliance for Each Major Federal Program

We have audited Edison State Community College's compliance 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 its major federal program for the year ended June 30, 2013. Edison State Community College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Edison State Community College's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 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 Edison State Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of Trustees
Edison State Community College

Opinion on Each Major Federal Program

In our opinion, Edison State Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Edison State Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Edison State Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 entity's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

October 11, 2013

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Agency/Program Title	CFDA Number	Award Number	Federal Expenditures
U.S. Department of Education:			
Student Financial Aid Cluster -			
Direct programs:			
Federal Supplemental Education Opportunity Grants	84.007		$ 61,650
Federal Work Study	84.033		84,883
Federal Pell Grant	84.063		5,082,181
Federal Direct Student Loans	84.268		7,690,204
Total Student Financial Aid Cluster			12,918,918
Passed-through State of Ohio Department of Education:			
Vocational Education	84.048	VENT-ITE-12/13-065763	5,587
Vocational Education	84.048	U.S.A.S.#524	63,548
Child Care and Development Block Grant	93.575	403948	5,639
Total passed through State of Ohio Department of Education			74,774
Total expenditures of federal awards			**$ 12,993,692**

See Note to Schedule of Expenditures of Federal Awards.

Note - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Edison State Community College under programs of the federal government for the year ended June 30, 2013. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Edison State Community College, it is not intended to and does not present the financial position, changes in net assets or cash flows, if applicable, of Edison State Community College. Pass-through entity identifying numbers are presented where available.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? __X__ Yes ______ 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 deficiency(ies) identified that are not considered to be material weaknesses? ______ Yes __X__ None reported

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063, and 84.268	Student Financial Aid Cluster

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

Auditee qualified as low-risk auditee? __X__ Yes ______ No

Section II - Financial Statement Audit Findings

Reference Number	Finding
2013-001	**Finding Type** - Significant deficiency

Criteria - Bank reconciliations should be reviewed by individuals independent of the reconciliation process.

Condition - The entity did not have proper review procedures in place for the bank reconciliations during the period when the Controller position was vacant.

Context - Bank reconciliations were not reviewed when the controller position was vacant.

Cause - The Controller position was vacant for a portion of the year and during that time the review of the bank reconciliations was not performed.

Effect - The bank reconciliation review procedures were not being performed during the transition period related to the Controller position.

Recommendation - We recommend that since the bank reconciliation preparer is not restricted from accessing cash receipts, cash disbursements and journal entry functions, an independent review of the bank reconciliations should be performed monthly and backup procedures should be in place for key positions.

Views of Responsible Officials and Planned Corrective Actions - The issue noted by the auditors is accurate. The College had a vacancy in the Controller position from February 2013 through September 2013. As the Controller has historically performed reviews of all bank reconciliations, the vacancy in this position caused a lapse in the review process. While early attempts were made to fill the vacant Controller position, a subsequent vacancy in the Vice President of Administration and Finance position caused all search efforts to be diverted to that position.

A new Controller was hired effective September 23, 2013. As the business office is now fully staffed, proper segregation of duties and review procedures have once again been implemented. Also, a policy was adopted whereby the Vice President of Administration and Finance will perform all necessary reviews should the Controller by unable to for any reason, thus ensuring that controls function regardless of any future staffing issues.

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2013-002	**Finding Type** - Significant deficiency
	Criteria - The general ledger should reconcile to the schedule of federal expenditures and awards (SEFA).
	Condition - The Pell awards per the general ledger did not agree to the SEFA.
	Context - Total Pell awards for the year was approximately \$5,082,000. There was a difference between the SEFA and the general ledger of approximately \$106,000.
	Cause - There was not a reconciliation between the general ledger and the SEFA performed.
	Effect - There was an audit adjustment of approximately \$106,000 to reconcile the general ledger to the schedule of federal expenditures.
	Recommendation - We recommend reviewing the general ledger to ensure it reconciles to the SEFA.
	Views of Responsible Officials and Planned Corrective Actions - The issue noted by the auditors is accurate. Due to the vacancy in the Controller position, the accounts in question were not properly reconciled to the SEFA.
	A new controller, with experience in performing account reconciliations and preparing the SEFA, was hired effective September 23, 2013. The Controller will ensure that a reconciliation of all key accounts to the SEFA is performed in future periods.

Section III - Federal Program Audit Findings

None

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
NOVEMBER 7, 2013