

***Edison State Community
College***

*Financial Statements and Single Audit Reports
for the Year Ended June 30, 2002*



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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 Deloitte & Touche LLP, for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

November 4, 2002

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EDISON STATE COMMUNITY COLLEGE

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EDISON STATE COMMUNITY COLLEGE

BOARD OF TRUSTEES AND ADMINISTRATIVE PERSONNEL AS OF JUNE 30, 2002

Board of Trustees	Title	Term of Office
Mr. Lewis A. Blackford	Chairman	01/19/97 – 01/18/03
Mr. Darryl D. Mehaffie	Vice Chairman	04/09/99 – 01/18/05
Dr. Richard N. Adams	Trustee	01/19/97 – 01/18/03
Mrs. D. Ann Baird	Trustee	02/02/01 – 01/18/07
Mr. Richard A. Graeff	Trustee	02/02/01 – 01/18/07
Mr. Ray L. Loffer	Trustee	04/09/99 – 01/18/05
Mr. LeRoy H. Miller	Trustee	02/02/01 – 01/18/07
Mrs. Kay Seiler	Trustee	01/19/97 – 01/18/03
Mr. Thomas P. Milligan	Trustee	08/06/99 – 01/18/05

College Administration

Dr. Kenneth A. Yowell	President
Dr. Michael F. Burns	Vice President, Administrative Services
Mr. Philip C. Lootens	Acting Vice President, Academic/Student Affairs
Mr. Keith E. Kamerer	Executive Director, Business/Personnel Services
Mr. Dennis Myers	Vice President for Information Technology
Mr. Darrel Isaacs	Controller
Ms. Lisa Waldrop	Director, Student Financial Aid

Insurance

All employees were insured with Corroon Black for \$500,000. The effective date of the policy is April 1, 2002 to April 1, 2003.

Legal Counsel

Mr. Stanley R. Evans
100 South Main Avenue
Suite 102, Courtview Center
Sidney, Ohio 45365

The Office of Attorney General, Betty D. Montgomery

College Location

1973 Edison Drive
Piqua, Ohio 45356

EDISON COMMUNITY COLLEGE

MANAGEMENT DISCUSSION AND ANALYSIS FISCAL YEAR ENDED JUNE 30, 2002

The discussion and analysis of Edison Community College's ("College") financial statements provides an overview of the College's financial activities for the year ended June 30, 2002. 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 the 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 major changes from the statements presented by the College in the past and the "look at the entity as a whole" are as follows:

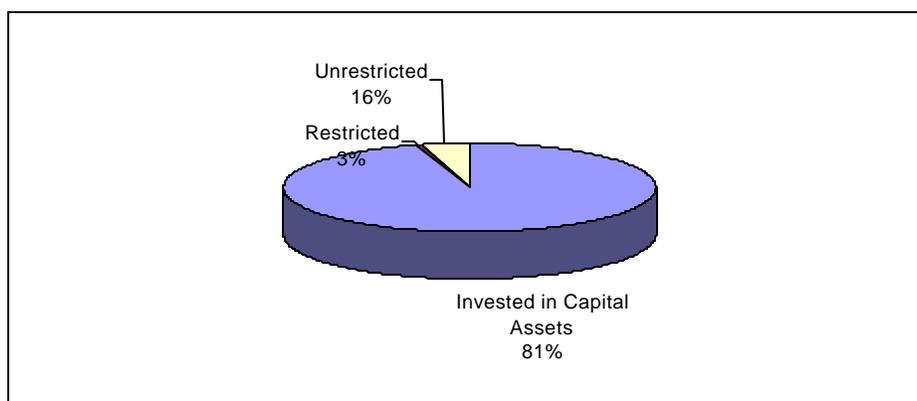
- New reporting standards which require three basic financial statements: the Statement of Net Assets, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows.
- Establishing an operating and non-operating basis of reporting whereby revenues that are charges for services and goods are recorded as operating revenues. Essentially all other types of revenue are non-operating, or other revenue.
- Netting tuition and fees for scholarship allowance that were also reported as federal and state grant revenue.

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 the supplemental information. Since Statement No. 35 is being adopted for the year ended June 30, 2002, comparative analysis will not be provided this year but will be presented in future years.

Financial Highlights

- In the fiscal year ended June 30, 2002, The College's expenses exceeded revenues and other support, creating a decrease in net assets of \$883,508, however, during the past fiscal year, the cash position of the College increased \$13,046.
- The decrease in the net assets is attributable to unrestricted resources being committed to technological initiatives to better position the College for future demands. These initiatives involve both automated solutions and the related infrastructure needed to support these endeavors. Also the recognition of depreciation on all capital assets has reduced the net assets.

- The following chart provides a graphical breakdown of net assets by category for the fiscal year ended June 30, 2002.



The College has committed the unrestricted net assets to provide for identified future needs. These needs include contractual obligations, debt service, capital outlay, insurance reserves and academic programming needs. More detailed information regarding the commitments against unrestricted net assets is presented in the footnotes to the financial statements.

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 financial health of the College.

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

Following is a summary of the major components of the net assets and operating results of the College as of and for the year ended June 30,2002:

	June 30, 2002
Current assets	\$ 4,823,547
Non-current assets:	
Capital assets, net	12,922,590
Other	<u>760,660</u>
Total assets	<u><u>\$18,506,797</u></u>
Current liabilities	\$ 2,713,830
Noncurrent liabilities	783,887
Net assets:	
Invested in capital assets - net of related debt	12,184,001
Restricted	490,691
Unrestricted	<u>2,333,888</u>
Total net assets	<u>15,009,080</u>
Total liabilities and net assets	<u><u>\$18,506,797</u></u>

REVENUES:	Year Ended June 30, 2002
Operating revenues:	
Student tuition and fees	\$ 4,122,300
Federal grant and contracts	1,578,773
State and local grants and contracts	244,109
Auxiliary enterprises - bookstore	1,177,097
Other operating revenues	<u>414,049</u>
Total operating revenues	<u>7,536,328</u>
 EXPENSES:	
Operating expenses:	
Educational and general:	
Instruction	5,786,794
Public service	850,520
Academic support	330,168
Student services	1,522,893
Institutional support	3,197,179
Plant operations and maintenance	1,116,034
Depreciation	931,937
Student aid	245,444
Auxiliary enterprises - bookstore	<u>1,048,740</u>
Total operating expenses	<u>15,029,709</u>
Operating loss	<u>(7,493,381)</u>
 NONOPERATING REVENUES (EXPENSES):	
State appropriations	5,908,052
Interest expense	(44,234)
Other	<u>438,101</u>
Total nonoperating revenues	<u>6,301,919</u>
Loss before other revenues	(1,191,462)
Capital grants	<u>307,954</u>
Total other revenues	<u>307,954</u>
Decrease in net assets	(883,508)
 NET ASSETS:	
Beginning of year as restated	<u>15,892,588</u>
End of year	<u>\$ 15,009,080</u>

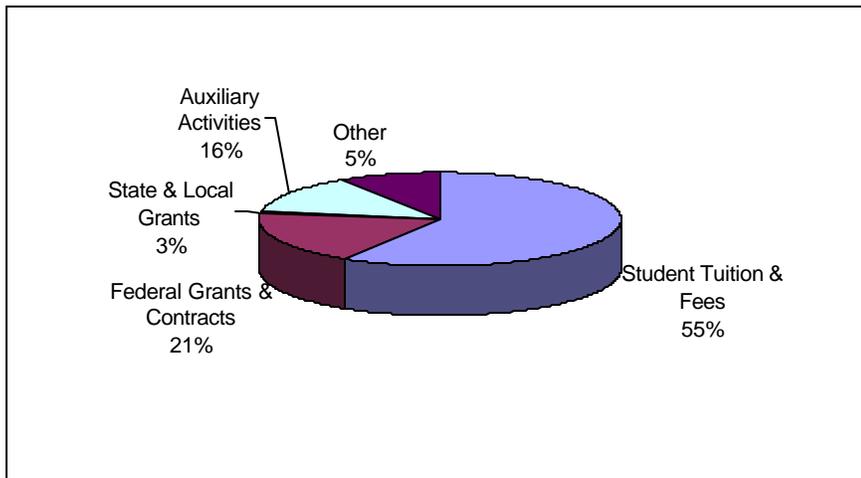
Operating Revenues

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 significantly impacted operating revenue:

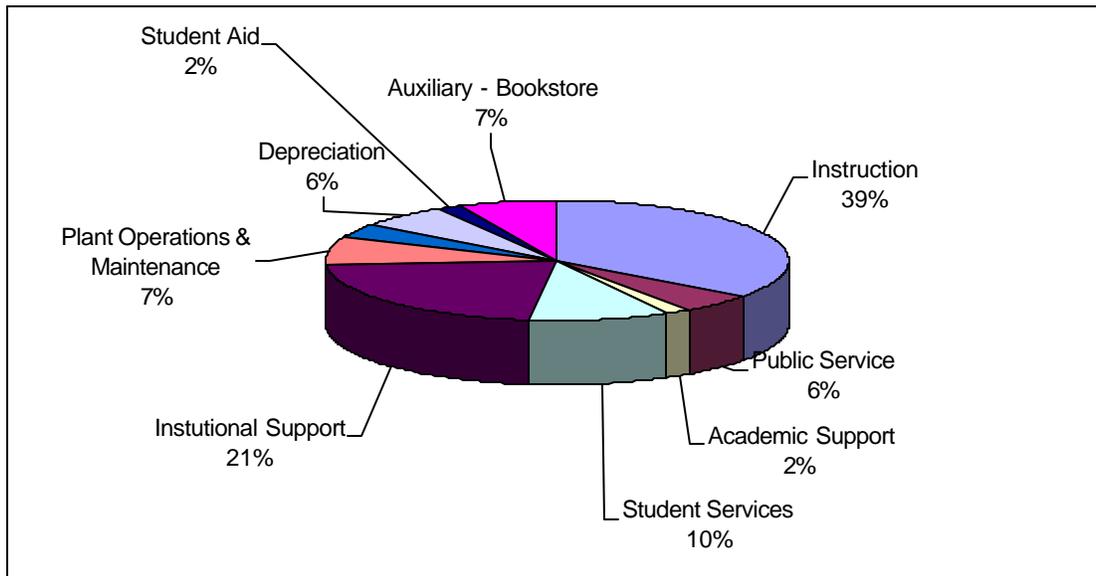
- Student tuition and fees revenue increased as a result of the Board of Trustees raising the rates by 8.3%. In addition, the fall 2001 enrollment increased by 5% over the prior year.
- Grant revenue increased approximately 20.4 % or \$305,047.

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



Operating Expenses

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



Non-Operating and Other Revenues

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

Non-operating and other revenue was significantly impacted by the following factors:

- The total state appropriation increased 3.9% from prior year, or \$189,371.

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 year Ended June 30, 2002

Cash provided by (used in):

Operating activities	\$ (6,090,235)
Noncapital financing activities	5,908,052
Capital and related financing activities	187,293
Investing activities	<u>7,936</u>

Net Increase in Cash and Cash Equivalents 13,046

Cash and cash equivalents – Beginning of Year 838,928

Cash and cash equivalents – End of Year \$ 851,974

Capital Assets

At June 30, 2002 the College has some \$12.9 invested in capital assets, net of accumulated depreciation of \$7.7 million. Depreciation charges totaled \$.9 million for the current fiscal year. This was the first year for reporting depreciation. The net book value of capital assets at June 30, 2002 are as follows:

Land, land improvements	\$ 852,351
Buildings and improvements	4,905,954
Student conference center	5,059,015
Equipment	1,037,357
Vehicles	11,812
Library books	<u>1,056,101</u>
Total	<u>\$12,922,590</u>



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Edison State Community College and
Mr. Jim Petro, Auditor of the State of Ohio:

We have audited the accompanying consolidated statement of net assets of Edison State Community College (the "College"), a component unit of the State of Ohio, as of June 30, 2002, and the related consolidated statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the management of the College. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Edison State Community College at June 30, 2002, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the basic financial statements, in fiscal year 2002, the College adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, GASB 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Management's Discussion and Analysis on pages 1 – 7 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Edison State Community College taken as a whole. The accompanying Schedule of Expenditures of Federal Awards on page 20, 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. The schedule is the responsibility of the College's management. 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DELOITTE & TOUCHE LLP

October 11, 2002

EDISON STATE COMMUNITY COLLEGE

STATEMENT OF NET ASSETS

JUNE 30, 2002

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note B)	\$ 851,974
Investments	944,743
Accounts receivable, net (Note C)	2,726,368
Prepaid expenses and other	85,252
Inventories, at average cost	<u>215,210</u>
Total current assets	<u>4,823,547</u>

NONCURRENT ASSETS:

Investments (Note B)	760,660
Capital assets, net (Note D)	<u>12,922,590</u>
Total noncurrent assets	<u>13,683,250</u>
Total assets	<u>\$ 18,506,797</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accruals	\$ 134,667
Accrued salaries, wages and benefits (Note E)	640,272
Deferred student fee income	1,873,949
Bonds payable - current portion	<u>64,942</u>
Total current liabilities	2,713,830

NONCURRENT LIABILITIES:

Accrued salaries, wages and benefits (Note E)	110,240
Bonds payable (Note E)	<u>673,647</u>
Total liabilities	<u>3,497,717</u>

NET ASSETS:

Invested in capital assets - net of related debt	12,184,001
Restricted - expendable	403,738
Restricted - nonexpendable	87,453
Unrestricted	<u>2,333,888</u>
Total net assets	<u>15,009,080</u>
Total liabilities and net assets	<u>\$ 18,506,797</u>

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

EDISON STATE COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2002

REVENUES

Operating revenues:	
Student tuition and fees	\$ 5,508,133
Less grants and scholarships	<u>(1,385,833)</u>
Student tuition and fees, net of grants and scholarships (Note A)	4,122,300
Federal grants and contracts	1,578,773
State and local grants and contracts	244,109
Auxiliary enterprises - bookstore net of grants and scholarships (Note A)	1,177,097
Other operating revenues	<u>414,049</u>
Total operating revenues	<u>7,536,328</u>

EXPENSES

Operating expenses:	
Education and general:	
Instruction	5,786,794
Public service	850,520
Academic support	330,168
Student services	1,522,893
Institutional support	3,197,179
Plant operations and maintenance	1,116,034
Depreciation	931,937
Student aid	245,444
Auxiliary enterprises - bookstore	<u>1,048,740</u>
Total operating expenses	<u>15,029,709</u>
Operating loss	<u>(7,493,381)</u>
Nonoperating revenues:	
State appropriations	5,908,052
Interest expense	(44,234)
Other	<u>438,101</u>
Total nonoperating revenues	<u>6,301,919</u>
Loss before other revenues	<u>(1,191,462)</u>
Capital grants	<u>307,954</u>
Total other revenues	<u>307,954</u>
DECREASE IN NET ASSETS	<u>(883,508)</u>
NET ASSETS:	
Beginning of year, as previously reported	26,692,558
Cumulative effect of change in Accounting Principle (Note A)	<u>(10,799,970)</u>
Beginning of year, as restated	<u>15,892,588</u>
End of Year	<u>\$ 15,009,080</u>

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

EDISON STATE COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:	
Student tuition and fees	\$ 3,313,045
Grants and contracts	1,816,767
Payments to vendors and employees	(13,500,586)
Auxiliary enterprise	1,177,097
Other receipts	<u>1,103,442</u>
Net cash used in operating activities	<u>(6,090,235)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES -	
State appropriations	<u>5,908,052</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants	307,954
Purchases of capital assets	(15,016)
Interest paid on outstanding debt	(44,234)
Principal paid on outstanding debt	<u>(61,411)</u>
Net cash provided by capital and related financing activities	<u>187,293</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from maturities of investments	1,250,000
Purchase of investments	<u>(1,242,064)</u>
Net cash provided by investing activities	<u>7,936</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,046
CASH AND CASH EQUIVALENTS:	
Beginning of year	<u>838,928</u>
End of year	<u>\$ 851,974</u>
RECONCILIATION OF NET OPERATING EXPENSES TO NET CASH USED IN OPERATING ACTIVITIES - Operating loss	
	\$(7,055,280)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Depreciation	931,937
Changes in net assets:	
Accounts receivable, net	(560,158)
Inventories	(51,669)
Prepaid expenses and other	17,609
Accounts payable and accruals	112,771
Accrued salaries, wages and benefits	192,385
Deferred student fee income	<u>322,170</u>
Net cash used in operating activities	<u>\$(6,090,235)</u>

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

EDISON STATE COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2002

A. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Description of 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 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. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. In accordance with GASB Statement No. 35, the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows are reported on a consolidated basis.

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

Invested in Capital Assets – capitalized physical assets, net of accumulated depreciation – see Note D.

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

Restricted – Non-expendable 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.

The cumulative effect of applying GASB Statement No. 35 to the College's financial statements is reported as a restatement of beginning net assets. The following is a reconciliation of the total June 30, 2001 net assets as previously reported, to the restated Net Assets – Beginning of the Year balance reported on the Statement of Revenues, Expenditures and Changes in Net Assets:

	<u>June 30, 2001</u>
Combined net assets, as previously reported	\$ 26,692,558
Accumulated depreciation	<u>(10,799,970)</u>
Combined net assets, restated	<u>\$ 15,892,588</u>

Operating Versus Non-operating Revenues and Expenses – The College defines operating activities as reported on the Statement of Revenues, Expenses and Changes in Net Assets 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, including state appropriations, county tax levy receipts, investment income, and state capital grants.

Cash and Cash Equivalents can include cash, certificates of deposit, and money market funds, stated at cost which approximates fair value.

Deferred Student Fee Income consists of the unearned portion of student tuition and fees for the Summer 2002 session, and all of the recorded student tuition and fees resulting from early registration for the Fall 2002 session.

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 as appropriate. 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
Library materials	10 years

In fiscal year 2001-2002, the College increased its capitalization limit for equipment, furniture and fixtures from \$500 to \$5,000. With respect to this change, all equipment, furniture and fixtures previously capitalized with a value of less than \$5,000 were removed from the accounts. The approximate net carrying value of these assets was \$700,000.

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 and the Ohio Instructional Grant Program. Payments made directly to students from grants and scholarships are presented as student aid.

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

Accounting Pronouncements – Effective July 1, 2001, the College adopted Government Accounting Standards Board (“GASB”) Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments,” and GASB Statement No. 35, “Basic Financial Statements – and Management’s Discussion and Analysis -for Public Colleges and Universities – an amendment of GASB Statement No. 34.” Also effective July 1, 2001, the College adopted two related GASB Statements: GASB Statement No. 37, “Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,” and GASB Statement No. 38, “Certain Financial Statement Note Disclosures.” These statements establish comprehensive new financial reporting requirements for governmental colleges and universities throughout the United States. Much of the reporting of the College has been restructured and includes management discussion and analysis.

GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14,” was issued in May 2002. This Statement amends Statement 14 to provide additional guidance to determine whether 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 entity. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of an institution. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2003. The College believes, based on a preliminary assessment of the Statement, that the Edison Foundation will be included as a component unit of the College in its financial statements beginning in fiscal year 2004 (see Note K).

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.

B. CASH AND INVESTMENTS

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. The classification of cash and cash equivalents, and investments in the financial statements is based on criteria set forth in GASB Statement No. 3. Cash equivalents are defined to include investments with original maturities of three months or less. The funds in the State Treasurer’s investment pool are classified as investments.

Deposits – At June 30, 2002, the carrying amounts of the College’s deposits were \$851,974 (included in cash and cash equivalents in the balance sheet) and the bank balances were \$1,321,364. The differences between carrying amounts and bank balances are primarily due to outstanding checks and deposits in transit at June 30, 2002. 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 \$357,844. The remaining balances of \$963,520, were uninsured and were held in accounts collateralized by a pooled collateral account at the Federal Reserve Bank of Cleveland and by a government security fund in the name of the pledging bank. These arrangements are in compliance with the Ohio Revised Code.

Investments – The College’s only investments as of June 30, 2002 were with the State Treasurer’s Investment Pool (“STAR Ohio”). 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, 2002. This investment is not required to be classified into risk categories set forth in GASB Statement No. 3. The College’s deposit in STAR Ohio as of June 30, 2002 was \$1,705,404.

C. ACCOUNTS RECEIVABLE

Receivables consist of billings for student fees and receivables arising from grants and are summarized as follows:

Student charges	\$2,123,410
Post secondary enrollment options program	493,562
Other	204,593
Allowance for doubtful accounts	<u>(95,197)</u>
	<u>\$2,726,368</u>

D. CAPITAL ASSETS

The following is a summary of changes in the capital assets and related accumulated depreciation during the 2002 fiscal year:

	Balance June 30, 2001	Additions	Retirements	Balance June 30, 2002
Land and improvements	\$ 1,220,414	\$	\$	\$ 1,220,414
Buildings and improvements	9,525,180			9,525,180
Student conference center	6,184,703			6,184,703
Equipment	2,119,517	15,017		2,134,534
Vehicles	96,900			96,900
Library books	<u>1,508,716</u>	<u> </u>	<u> </u>	<u>1,508,716</u>
Total	<u>20,655,430</u>	<u>15,017</u>	<u> </u>	<u>20,670,447</u>
Less accumulated depreciation:				
Land improvements	354,948	13,115		368,063
Building and improvements	4,384,523	234,703		4,619,226
Student conference center	957,907	167,781		1,125,688
Equipment	885,958	211,219		1,097,177
Vehicles	81,713	3,375		85,088
Library books	<u>150,871</u>	<u>301,744</u>	<u> </u>	<u>452,615</u>
	<u>6,815,920</u>	<u>931,937</u>	<u> </u>	<u>7,747,857</u>
Capital assets, net	<u>\$13,839,510</u>	<u>\$ (916,920)</u>	<u>\$</u>	<u>\$12,922,590</u>

E. LONG TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2000, is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 325,525	\$ 129,211	\$ 51,738	\$ 402,998	\$ 292,758
Bonds payable	<u>800,000</u>	<u> </u>	<u>61,411</u>	<u>738,589</u>	<u>64,942</u>
	<u>\$1,125,525</u>	<u>\$129,211</u>	<u>\$113,149</u>	<u>\$1,141,587</u>	<u>\$ 357,700</u>

Bonds payable consists of a 5.75% Series 2001 Revenue Bond due December 2010, with scheduled maturities as follows:

Year Ended June 30	Principal	Interest	Total
2003	\$ 64,942	\$ 40,602	\$ 105,544
2004	68,676	36,760	105,436
2005	72,625	32,698	105,323
2006	76,801	28,402	105,203
2007	81,217	23,859	105,076
Thereafter	<u>374,328</u>	<u>44,551</u>	<u>418,879</u>
Total	<u>\$738,589</u>	<u>\$206,872</u>	<u>\$ 945,461</u>

All general receipts from the bookstore are pledged as collateral under the bond payable.

F. 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 causes 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. During the years ended June 30, 2002, there was no funding from the State of Ohio to the College for such activities.

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.

G. RETIREMENT PLANS

College faculty participate in either the State Teachers Retirement System of Ohio (“STRS”) or an alternative retirement plan (“ARP”). Substantially, all other employee's participant in either the Public Employees Retirement System of Ohio (“PERS”) or the ARP. Both STRS and PERS are state-wide cost-sharing multi-employer plans. PERS 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 PERS is provided by state statute by Chapters 3307 and 145, respectively, of the Ohio Revised Code.

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

PERS
277 East Town Street
Columbus, OH 43215-4642
(614) 466-2085

STRS
275 East Broad Street
Columbus, OH 43215-3771
(614) 227-4002

PERS plan members are required to contribute 8.5% of their annual salary, and STRS members contribute 9.3%. The College is required to contribute 13.55% and 14% of annual covered payroll for PERS and STRS, respectively. The contribution requirements of plan members and the College are established and may be amended by state statute. The College's contributions to PERS and STRS for the years ended June 30, 2002, 2001 and 2000 were as follows:

Years	Contribution	
	PERS	STRS
2002	\$ 372,932	\$ 548,641
2001	271,273	529,557
2000	319,696	531,851

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 PERS. 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 investments 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 9.3% and 8.5% of employees' covered compensation for employees who would otherwise participate in STRS and PERS, respectively. The College contributes 8.24% of a participating faculty member's compensation and 13.31% of a participating unclassified staff member's compensation to the participant's account. The College is also required to contribute an additional 5.76% of employees' covered compensation of STRS. Plan participants' contributions were \$35,512 and \$33,037, and the College contributions to the Plan providers amounted to \$30,401 and \$28,417, respectively, for the years ended June 30, 2002 and 2001. In addition, the amounts contributed to STRS by the College on behalf of ARP participants were \$10,389 and \$12,676 respectively, for the years ended June 30, 2002 and 2001.

H. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

STRS provides other postemployment benefits to all retirees and their dependents, while PERS provides postretirement health care coverage to age and service retirants (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 PERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 4.5% of the total 14.00%, while the PERS rate was 4.3% of the total 13.55% for the year ended June 30, 2002 (see Note G).

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and PERS. 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 \$3.256 billion as of June 30, 2001. The number of benefit recipients eligible for OPEB was 102,132 for STRS at June 30, 2001. The amount contributed by the College to STRS to fund these benefits was \$176,350 for the year ended June 30, 2002.

Postretirement health care under PERS is advanced-funded on an actuarially determined basis. The actuarial value of PERS net assets available for OPEB at December 31, 2000 is \$11.736 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14.365 billion and \$2.629 billion, respectively. The number of PERS active contributing participants was 411,076 for the year ended December 31, 2000. For the year ended June 30, 2002, the College contributed \$118,350 to PERS for OPEB funding, which is equal to the actuarially required contributions of the Plan.

I. 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.

J. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the current fund or other applicable funds. It is the opinion of management that any potential disallowance of claims would not have a material effect on the financial statements.

K. RELATED ORGANIZATION

The College is the sole beneficiary of Edison State Community College Foundation, Inc., a separate, not-for-profit entity governed by a separate Board of Trustees. Assets of the Foundation totaled approximately \$1,774,900 at June 30, 2002. Such assets relate principally to donor-restricted funds and are not included in the accompanying financial statements. During the year ended June 30, 2002, the Foundation contributed to the College approximately \$61,800 for scholarships, \$79,000 for institutional support and \$87,000 for Darke County location renovations.

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EDISON STATE COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2002

Federal Grant or Pass-Through Grant/Program Title	Federal CFDA Number	Expendi- tures
U.S. DEPARTMENT OF EDUCATION:		
Direct - Student Financial Assistance Cluster:		
Federal Supplemental Educational Opportunity Grant	84.007	\$ 41,914
Federal Family Education Loan (Note B)	84.032	
Federal Work-Study	84.033	28,117
Federal Pell Grant	84.063	<u>1,394,675</u>
Total Student Financial Assistance Cluster		<u>1,464,706</u>
Passed Through State of Ohio Department of Education:		
Vocational Education	84.048	24,770
Tech Prep	84.243	<u>89,297</u>
Total Passed Through State of Ohio Department of Education		<u>114,067</u>
Total U.S. Department of Education		<u>\$1,578,773</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$1,578,773</u>

See notes to the Schedule of Expenditures of Federal Awards.

EDISON STATE COMMUNITY COLLEGE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2002

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards reflects the expenditures on an accrual basis of Edison State Community College under programs financed by the U.S. government for the year ended June 30, 2002. Because the schedule presents only a selected portion of the operations included in the College's financial statements, it is not intended to, and does not, present the financial position, changes in fund balance and current funds revenues, expenditures and other changes.

For purposes of the schedule, Federal Awards include the following:

- Direct federal awards
- Pass-through funds received from non-Federal organizations under Federally sponsored programs conducted by those organizations.

B. FEDERAL FAMILY EDUCATION LOAN PROGRAM

The Federal Family Education Loan Program (Federal CFDA Number 84.032) loans issued to students of the College by financial institutions and processed by the College during the year ended June 30, 2002, are summarized as follows:

Federal Subsidized Stafford Loans	\$ 398,032
Federal Unsubsidized Stafford Loans	499,232
Federal Parental Loans for Undergraduate Students	<u>2,332</u>
	<u>\$ 899,596</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.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Edison State Community College and
Mr. Jim Petro, Auditor of the State of Ohio:

We have audited the financial statements of Edison State Community College (the "College") as of and for the year ended June 30, 2002, and have issued our report thereon dated October 11, 2002, which includes an explanatory paragraph relating to the change in accounting principle described in Note A to the financial statements. 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 of America.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

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 and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we have communicated other observations involving the internal control over financial reporting to the management of the College in a separate letter dated October 11, 2002.

* * * * *

This report is intended solely for the information and use of the Board of Trustees and management of the College, the U.S. Department of Education, applicable pass-through agencies and the Auditor of the State of Ohio, and is not intended to be and should not be used for by anyone other than these specified parties.

DELOITTE & TOUCHE LLP

October 11, 2002



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Edison State Community College and
Mr. Jim Petro, Auditor of the State of 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 are applicable to its major federal program for the year ended June 30, 2002. The College's major federal program is identified in 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 of America; 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 the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

Our consideration of the College's internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

* * * * *

This report is intended solely for the information and use of the Board of Trustees and management of the College, the U.S. Department of Education, applicable pass-through agencies and the Auditor of the State of Ohio, and is not intended to be and should not be used for by anyone other than these specified parties.

DELOITTE & TOUCHE LLP

October 11, 2002

EDISON STATE COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2002

1. Summary of auditors' results:
 - Type of Report on the Financial Statements –Unqualified Opinion.
 - Material Weaknesses in Internal Control Over Financial Reporting – None noted
 - Reportable Conditions in Internal Control over Financial Reporting Identified which are not Considered to be Material Weaknesses – None noted
 - Instances of Noncompliance that were Material to the Financial Statements. – None
 - Material Weakness in Internal Control Over Compliance With Requirements Applicable to Major Federal Awards Programs – None
 - Reportable Conditions in Internal Control over Compliance with Requirements Applicable to Major Federal Awards Programs Identified which are not Considered to be Material Weaknesses – None noted
 - Type of Report on Compliance for Major Programs– Unqualified.
 - Audit Findings Required by OMB A-133 to be Reported by the Auditor – None
 - Major Programs – The major program was student financial assistance which encompasses those Department of Education programs included in this cluster and shown on the Schedule of Expenditures of Federal Awards (CFDA Nos. 84.007, 84.032, 84.033, and 84.063).
 - Dollar Threshold Used to Distinguish Between Type A and Type B programs – \$300,000.
 - Low-Risk Auditee – The College qualified as a low-risk auditee, however, student financial assistance was considered a high-risk Type A program which resulted in audit coverage in excess of 50% of total Federal expenditures.
2. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Government Auditing Standards – No matters are reportable.
3. Findings and Questioned Costs for Federal Awards – No matters are reportable.

EDISON STATE COMMUNITY COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2002

01-1 Compliance with Reporting Requirements

Condition: The College did not file its audited June 30, 2001 financial statements within six months of its year-end with the Auditor of the State of Ohio as required.

Criteria: Ohio Administrative Code Section 126:3-1-01 requires that state colleges cause to be performed an annual audit of its financial statements and submit annual audited financial statements to Auditor of the State of Ohio within six months of its fiscal year-end.

Corrective action was taken to correct this finding for 2002.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 19, 2002**