

EDISON STATE COMMUNITY COLLEGE
Piqua, Ohio

ANNUAL REPORT
June 30, 2006 and 2005



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Report of Independent Auditors* of the Edison State Community College, Miami County, prepared by Crowe Chizek and Company LLC for the audit period July 1, 2005 through June 30, 2006. 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 that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 20, 2006

This Page is Intentionally Left Blank.

EDISON STATE COMMUNITY COLLEGE

ANNUAL REPORT
June 30, 2006 and 2005

CONTENTS

REPORT OF INDEPENDENT AUDITORS.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
STATEMENTS OF NET ASSETS	13
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	14
STATEMENTS OF CASH FLOWS.....	15
NOTES TO FINANCIAL STATEMENTS.....	16
SUPPLEMENTARY INFORMATION	
BOARD OF TRUSTEES AND ADMINISTRATIVE PERSONNEL.....	30
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	32
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	33
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	34
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	36
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	38
SCHEDULE OF RESOLUTION OF PRIOR YEAR AUDIT FINDINGS.....	39

This Page is Intentionally Left Blank.



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Clark State Community College (the "College"), a component unit of the State of Ohio, as of and for the year ended June 30, 2006, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the College as of June 30, 2005, and the year then ended, were audited by other auditors whose report, dated September 29, 2005, expressed an unqualified opinion on those 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 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 respective financial position of the business-type activities and discretely presented component unit of Edison State Community College as of June 30, 2006, and the respective 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.

The Management's Discussion and Analysis (MD&A) on pages 3 through 14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 16, 2006, 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 agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the College taken as a whole. The accompanying Schedule of Expenditures of Federal Awards on pages 31 and 32, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Crowe Chizek and Cozy LLC

Columbus, Ohio
October 16, 2006

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006 and 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Edison Community College's ("College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2006 and 2005. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with College management.

Using This Report

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

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

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

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

Financial Highlights

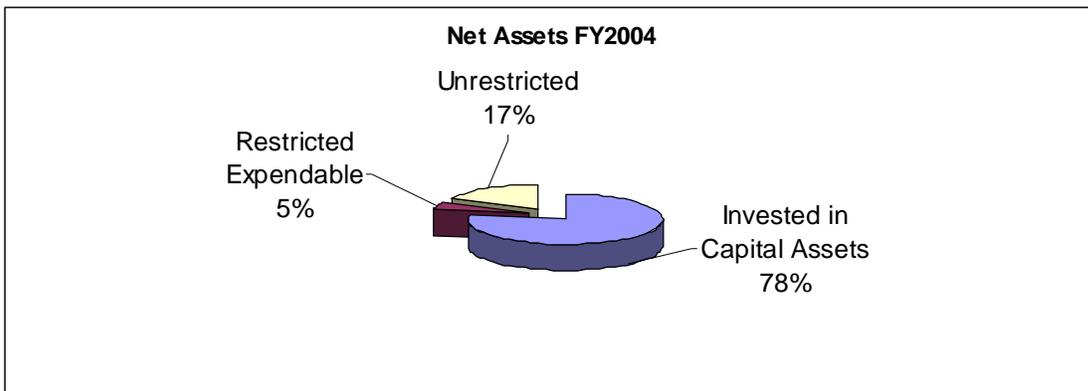
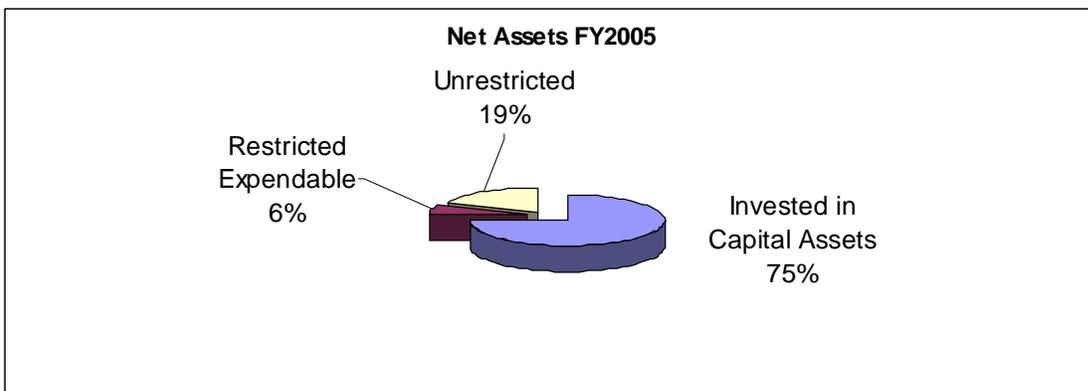
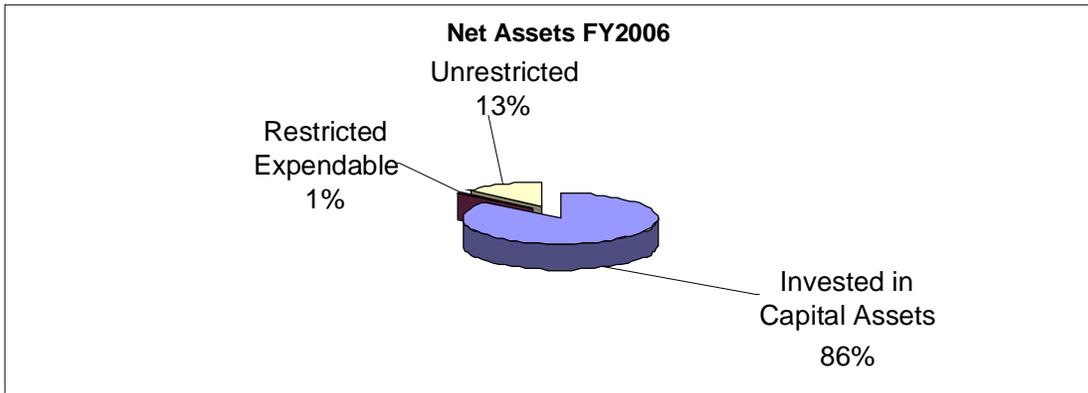
In the fiscal year ended June 30, 2006, College's expenses exceeded revenues and other support, creating a decrease in net assets of \$204,149, and the cash position of the College increased \$1,341,013.

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 net assets.

(Continued)

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006 and 2005

The following charts provide a graphical breakdown of net assets by category for the fiscal years ended June 30, 2006, 2005 and 2004.



(Continued)

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006 and 2005

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 health of the College. In spite of continued cutbacks in state appropriations, the College's financial position remained strong at June 30, 2006.

Following is a summary of the major components of net assets and operating results of the College as of and for the years ended June 30, 2006, 2005 and 2004:

	June 30		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current assets	\$ 10,983,436	\$ 6,281,281	\$ 5,722,825
Non-current assets:			
Capital assets, net	11,503,683	10,895,947	11,452,699
Other	<u>3,859,000</u>	<u>1,105,477</u>	<u>689,724</u>
Total Assets	<u>\$26,346,119</u>	<u>\$18,282,705</u>	<u>\$17,865,248</u>
Current liabilities	\$ 7,791,046	\$ 3,998,010	\$ 3,385,978
Noncurrent liabilities	5,143,670	669,143	681,430
Net assets:			
Invested in capital assets - net of related debt	11,536,506	10,363,600	10,847,727
Restricted	100,032	660,372	709,559
Unrestricted	<u>1,774,865</u>	<u>2,591,580</u>	<u>2,240,554</u>
Total net assets	<u>13,411,403</u>	<u>13,615,552</u>	<u>13,797,840</u>
Total liabilities and net assets	<u>\$ 26,346,119</u>	<u>\$ 18,282,705</u>	<u>\$ 17,865,248</u>

(Continued)

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006 and 2005

	Years Ended June 30		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:			
Student tuition and fees	\$ 5,393,140	\$ 5,183,040	\$ 4,245,536
Federal grant and contracts	2,332,624	2,452,585	2,552,632
State and local grants and contracts	192,198	139,486	140,242
Auxiliary enterprises-bookstore	1,313,348	1,194,815	1,067,627
Other operating revenues	<u>222,154</u>	<u>248,231</u>	<u>223,794</u>
Total operating revenues	<u>9,453,464</u>	<u>9,218,157</u>	<u>8,229,831</u>
OPERATING EXPENSES:			
Educational and general:			
Instruction	6,701,218	6,327,245	5,800,048
Public service	732,101	951,562	738,097
Academic support	352,959	310,082	367,461
Student services	1,806,436	1,667,537	1,593,061
Institutional support	3,504,588	3,365,381	3,251,246
Plant operations and maintenance	1,292,635	1,342,340	1,266,048
Depreciation	698,930	872,422	891,500
Student aid	519,502	558,191	542,088
Auxiliary enterprises-bookstore	<u>1,005,746</u>	<u>885,251</u>	<u>825,363</u>
Total operating expenses	<u>16,614,115</u>	<u>16,280,011</u>	<u>15,274,912</u>
Operating loss	<u>(7,160,651)</u>	<u>(7,061,854)</u>	<u>(7,045,081)</u>
NONOPERATING REVENUES (EXPENSES) AND OTHER REVENUES:			
State appropriations	6,203,896	6,351,068	6,070,492
Interest expense	(69,605)	(32,350)	(36,431)
Other	189,392	151,778	119,550
other nonoperational revenue	167,542		
Capital grants	475,276	408,070	408,070
Capital appropriations	<u>-</u>	<u>-</u>	<u>244,302</u>
Total nonoperating and other revenues (expenses)	<u>6,966,501</u>	<u>6,878,566</u>	<u>6,805,983</u>
CHANGE IN NET ASSETS	<u>\$ (204,150)</u>	<u>\$ (183,288)</u>	<u>\$ (239,098)</u>

(Continued)

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006 and 2005

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 fiscal year 2006 operating revenue:

- Student tuition and fees revenue increased as a result of the Board of Trustees raising the rates by 6.0%. In addition, the fall 2005 enrollment increased by 3.0% over the prior year.
- Grant revenue decreased approximately 2.6% or \$67,249.

The following factors significantly impacted fiscal year 2005 operating revenue:

- Student tuition and fees revenue increased as a result of the Board of Trustees raising the rates by 6.0%. In addition, the fall 2004 enrollment increased by 4.6% over the prior year.
- Grant revenue decreased approximately 3.8% or \$100,803.

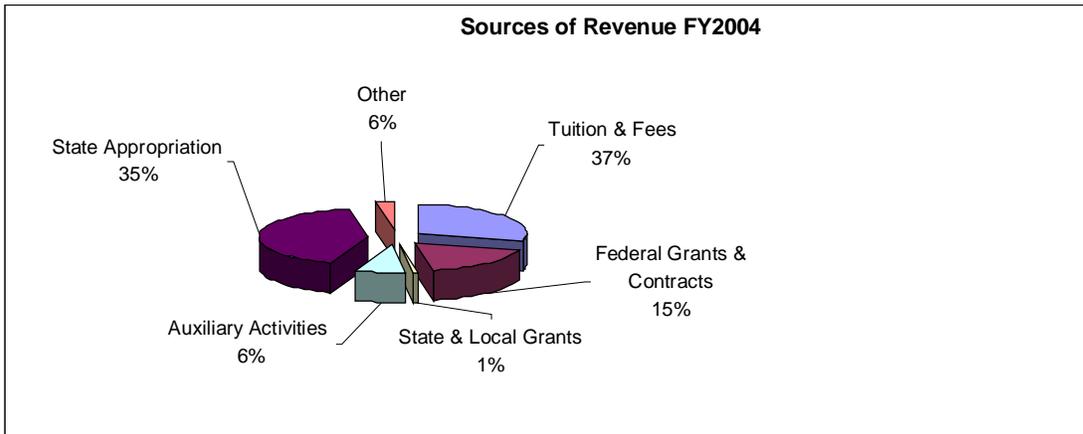
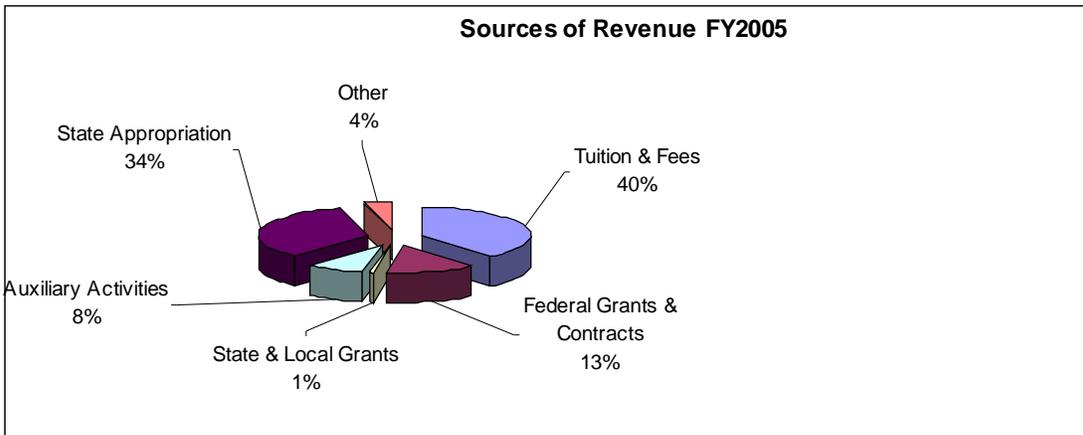
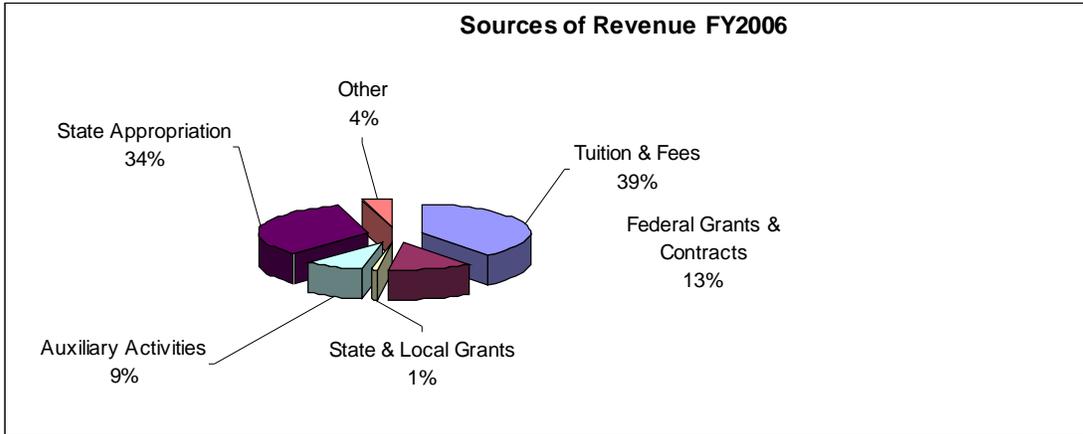
The following factors significantly impacted fiscal year 2004 operating revenue:

- Student tuition and fees revenue increased as a result of the Board of Trustees raising the rates by 6.0%. In addition, the fall 2003 enrollment increased by 5% over the prior year.
- Grant revenue increased approximately 16.1 % or \$374,292.

(Continued)

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006 and 2005

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

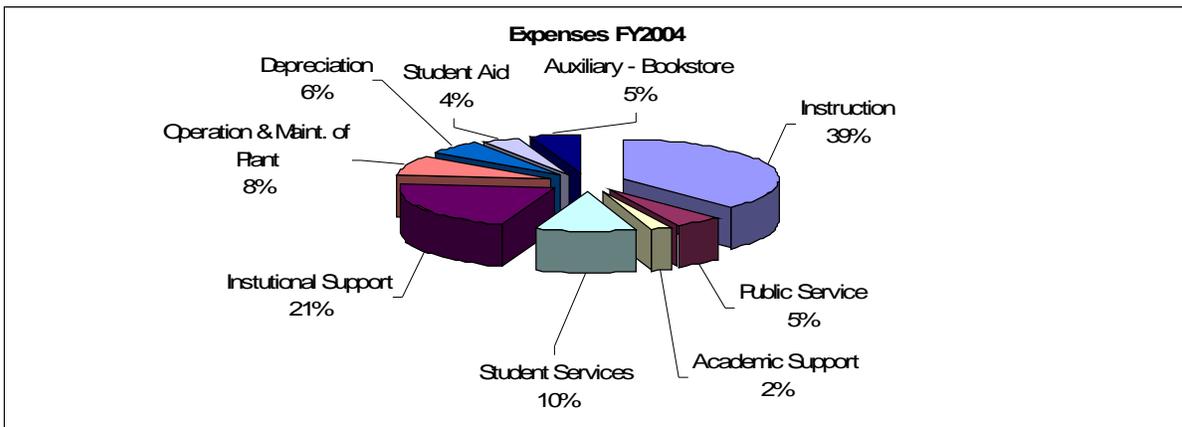
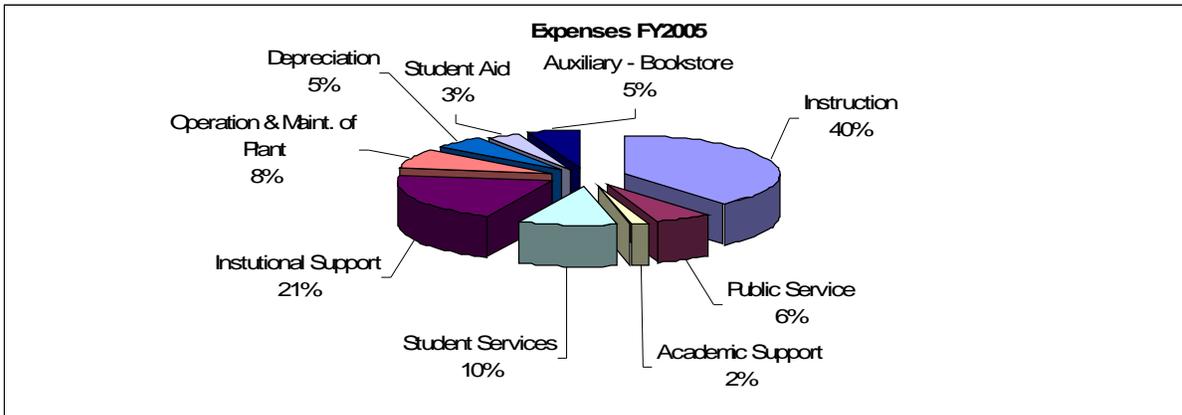
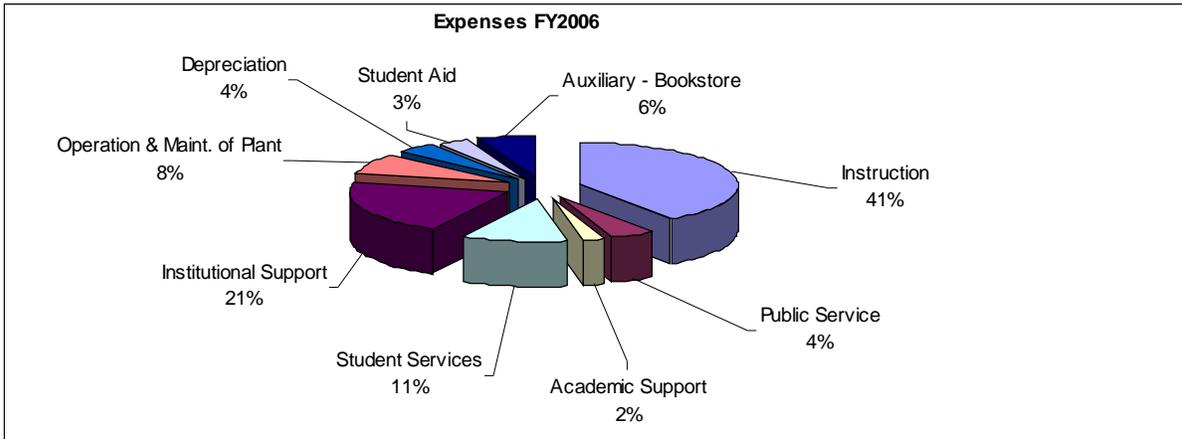


(Continued)

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006 and 2005

Operating Expenses

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



(Continued)

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006 and 2005

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.

Fiscal year 2006 non-operating and other revenue was significantly impacted by the following factor:

- The total state appropriation decreased 2.4 % from prior year, or \$147,172 resulting from continuing state funding challenges and restrictions.

Fiscal year 2005 non-operating and other revenue was significantly impacted by the following factor:

- The total state appropriation increased 4.6 % from prior year, or \$280,576 resulting from continuing state funding challenges and restrictions.

Fiscal year 2004 non-operating and other revenue was significantly impacted by the following factor:

- The total state appropriation increased 0.8 % from prior year, or \$48,506 resulting from continuing state funding challenges and restrictions.

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.

(Continued)

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006 and 2005

Cash Flows for the Years Ended June 30, 2006, 2005 and 2004

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash provided by (used in):			
Operating activities	\$ (6,355,893)	\$ (6,461,994)	\$ (6,323,354)
Noncapital financing activities	6,328,148	6,438,891	6,101,001
Capital and related financing activities	7,175,676	(12,575)	249,984
Investing activities	<u>(5,806,918)</u>	<u>(684)</u>	<u>78,693</u>
Net increase in cash and cash equivalents	1,341,013	(36,362)	106,324
Cash and cash equivalents—Beginning of year	<u>1,003,124</u>	<u>1,039,486</u>	<u>933,162</u>
Cash and cash equivalents—End of year	<u>\$ 2,344,137</u>	<u>\$ 1,003,124</u>	<u>\$ 1,039,486</u>

Capital Assets

At June 30, 2006, the College has some \$11.5 million invested in capital assets, net of accumulated depreciation of \$11.1 million. Depreciation charges totaled approximately \$0.7 million for the current and prior two fiscal years. The net book value of capital assets at June 30, 2006, 2005 and 2004 is as follows:

	<u>June 30</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Land, land improvements	\$ 799,891	\$ 813,006	\$ 826,121
Buildings and improvements	5,062,227	4,595,229	4,756,374
Student conference center	4,404,353	4,575,925	4,740,366
Equipment	560,743	514,129	667,144
Vehicles	2,654	5,524	10,079
Library books	5	150,871	452,615
Regional Learning Center work in progress	<u>673,810</u>	<u>241,264</u>	<u>-</u>
Total	<u>\$ 11,503,683</u>	<u>\$ 10,895,948</u>	<u>\$ 11,452,699</u>

(Continued)

EDISON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006 and 2005

Long-Term Debt

The College currently has a bond payable which consists of a 5.75% series 2001 Revenue Bond due December 2010. Scheduled debt payments were made on the 2001 bond.

The College during fiscal year 2006 issued a bond which consist of a 4.0% series 2006 General Receipts Bond due December 2026. Scheduled payments have not begun on this bond.

The College during fiscal year 2006 also issued a General Receipts Bond Anticipation Note.

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

Economic Factors and Next Years' Budget

The most significant economic issue for the College and other higher education institutions has been the prolonged downturn in the state of Ohio's economy and revenue collections, which has resulted in overall cutbacks in state appropriations for higher education for fiscal years 2004, 2005 and 2006. Since state appropriations represent the largest revenue source for the College, a 6% tuition increase was implemented effective for 2006 fall semester. In addition, the College has taken measures to further control costs. The College will continue to be a low cost affordable education for the residents of Darke, Miami and Shelby counties.

For fiscal year 2007, the College is anticipating no additional growth in student enrollment. This will likely exert further cost pressures relative to maintaining adequate staffing, space, and support services. Also causing concern is our escalating increases in health care costs.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
June 30, 2006 and 2005

	College <u>2006</u>	College <u>2005</u>	College Related Foundation <u>2006</u>	College Related Foundation <u>2005</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 2,344,187	\$ 1,003,174	\$ --	\$ --
Investments	3,945,908	605,525	--	--
Accounts and pledges receivable (net)	4,281,332	4,411,438	439,213	90,298
Prepaid expenses and other	204,068	49,167	9,037	32,871
Inventories	<u>207,941</u>	<u>211,977</u>	<u>--</u>	<u>--</u>
Total current assets	10,983,436	6,281,281	448,250	123,169
Noncurrent assets				
Accounts and pledges receivable (net)	9,000	9,000	1,053,553	111,279
Restricted cash deposits	--	--	374,047	176,744
Investments	3,850,000	1,096,477	1,708,223	1,823,108
Capital assets (net)	<u>11,503,683</u>	<u>10,895,947</u>	<u>--</u>	<u>--</u>
Total noncurrent assets	<u>15,362,683</u>	<u>12,001,424</u>	<u>3,135,823</u>	<u>2,111,131</u>
Total assets	<u>26,346,119</u>	<u>18,282,705</u>	<u>3,584,073</u>	<u>2,234,300</u>
Liabilities and net assets				
Current liabilities				
Accounts payable and accruals	411,565	448,058	4,060	157,143
Accrued salaries, wages, and benefits	751,964	684,841	--	--
Deferred revenues	2,993,752	2,788,310	--	--
Bond anticipation note	3,500,000	--	--	--
Capital lease obligation, current	52,548	--	--	--
Long term debt, current	<u>81,217</u>	<u>76,801</u>	<u>--</u>	<u>--</u>
Total current liabilities	7,791,046	3,998,010	4,060	157,143
Noncurrent liabilities				
Accrued salaries, wages, and benefits	168,417	213,597	--	--
Capital lease obligation	540,923	--	--	--
Long term debt	4,434,330	455,546	--	--
Other liability	<u>--</u>	<u>--</u>	<u>75,000</u>	<u>50,000</u>
Total liabilities	<u>12,934,716</u>	<u>4,667,153</u>	<u>79,060</u>	<u>207,143</u>
Net Assets				
Invested in capital assets - net of related debt	11,536,506	10,363,600	--	--
Restricted - expendable	89,978	650,318	2,783,090	1,035,087
Restricted - nonexpendable	10,054	10,054	65,581	61,482
Unrestricted	<u>1,774,865</u>	<u>2,591,580</u>	<u>656,342</u>	<u>930,588</u>
Total net assets	<u>13,411,403</u>	<u>13,615,552</u>	<u>3,505,013</u>	<u>2,027,157</u>
Total liabilities and net assets	<u>\$ 26,346,119</u>	<u>\$ 18,282,705</u>	<u>\$ 3,584,073</u>	<u>\$ 2,234,300</u>

See accompanying notes to financial statements.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ending June 30, 2006 and 2005

	College <u>2006</u>	College <u>2005</u>	College Related Foundation <u>2006</u>	College Related Foundation <u>2005</u>
Operating revenue				
Student tuition and fees	\$ 7,297,216	\$ 7,251,533	\$ --	\$ --
Less grants and scholarships	<u>(1,904,076)</u>	<u>(2,068,493)</u>	<u>--</u>	<u>--</u>
Net student tuition and fees	5,393,140	5,183,040	--	--
Federal grants and contracts	2,332,624	2,452,585	--	--
State and local grants and contracts	192,198	139,486	--	--
Auxiliary enterprises - bookstore, net of grants and scholarships of \$309,966 and \$352,429 in 2006 and 2005, respectively	1,313,348	1,194,815	--	--
Gifts	--	--	25,459	32,474
Other operating revenue	<u>222,154</u>	<u>249,231</u>	<u>--</u>	<u>--</u>
Total revenues, gains and other support	<u>9,453,464</u>	<u>9,219,157</u>	<u>25,459</u>	<u>32,474</u>
Operating Expenses				
Instruction	6,701,218	6,471,175	--	--
Public service	732,101	807,632	--	--
Academic support	352,959	310,082	--	--
Student services	1,806,436	1,667,537	--	--
Institutional support	3,514,587	3,365,381	277,206	354,237
Plant operations and maintenance	1,292,635	1,342,340	--	--
Depreciation	698,930	872,422	--	--
Student aid	519,502	558,191	--	--
Auxiliary enterprises	<u>1,005,746</u>	<u>885,251</u>	<u>--</u>	<u>--</u>
Total operating expenses	<u>16,624,114</u>	<u>16,280,011</u>	<u>277,206</u>	<u>354,237</u>
Operating loss	<u>(7,170,650)</u>	<u>(7,060,854)</u>	<u>(251,747)</u>	<u>(321,763)</u>
Nonoperating revenues (expenses)				
State appropriations	6,203,896	6,351,068	--	--
Gifts, including \$124,252 and \$113,849 from Foundation for 2006 and 2005, respectively	124,252	113,849	1,707,024	220,938
Investment income, net of expense	232,682	37,929	146,831	75,582
Interest expense	(69,605)	(32,350)	--	--
Payments to Edison State Community College	<u>--</u>	<u>--</u>	<u>(124,252)</u>	<u>(113,849)</u>
Total nonoperating revenues (expenses)	<u>6,491,225</u>	<u>6,470,496</u>	<u>1,729,603</u>	<u>182,671</u>
Income (loss) before other revenues, expenses, gains, or losses	<u>(679,425)</u>	<u>(590,358)</u>	<u>1,477,856</u>	<u>(139,092)</u>
Capital grants	<u>475,276</u>	<u>408,070</u>	<u>--</u>	<u>--</u>
Total other revenues	<u>475,276</u>	<u>408,070</u>	<u>--</u>	<u>--</u>
Change in net assets	(204,149)	(182,288)	1,477,856	(139,092)
Net assets at beginning of year	<u>13,615,552</u>	<u>13,797,840</u>	<u>2,027,157</u>	<u>2,166,249</u>
Net assets at end of year	<u>\$ 13,411,403</u>	<u>\$ 13,615,552</u>	<u>\$ 3,505,013</u>	<u>\$ 2,027,157</u>

See accompanying notes to financial statements.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Student tuition and fees	\$ 5,716,183	\$ 4,298,439
Grants and contracts	2,483,021	2,594,058
Payments to vendors and employees	(16,090,599)	(14,824,471)
Auxiliary enterprise	1,313,348	1,194,815
Other receipts	<u>222,154</u>	<u>275,215</u>
Net cash from operating activities	(6,355,893)	(6,461,944)
Cash flows from non-capital financing activities		
State appropriations	6,203,896	6,351,068
Gifts	<u>124,252</u>	<u>87,823</u>
Net cash from non-capital financing activities	6,328,148	6,438,891
Cash flows from capital and related financing activities		
Capital grants	475,276	408,070
Purchases of capital assets	(1,306,666)	(315,670)
Proceeds from capital lease obligation	610,000	--
Proceeds from issuance of new debt	7,560,000	--
Interest paid on outstanding debt	(69,605)	(32,350)
Principal paid on outstanding debt	<u>(93,329)</u>	<u>(72,625)</u>
Net cash from (used in) capital and related financing activities	7,175,676	(12,575)
Cash flows from investing activities		
Proceeds from maturities of investments	856,094	1,250,000
Purchase of investments	(6,950,000)	(1,284,346)
Interest on investments	<u>286,988</u>	<u>33,662</u>
Net cash (used in) provided by investing activities	(5,806,918)	(684)
Net change in cash and cash equivalents	1,341,013	(36,312)
Cash and cash equivalents, beginning of year	<u>1,003,174</u>	<u>1,039,486</u>
Cash and cash equivalents, end of year	<u>\$ 2,344,187</u>	<u>\$ 1,003,174</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$(7,170,650)	\$(7,060,854)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	698,930	872,422
Changes in assets and liabilities:		
Accounts receivable	75,800	(984,557)
Inventories	4,036	(7,667)
Prepaid expenses and other	(154,901)	46,342
Accounts payable and accruals	(36,493)	363,949
Accrued salaries, wages, and benefits	21,943	248,405
Deferred student fee income	<u>205,442</u>	<u>60,016</u>
Net cash used in operating activities	<u>\$(6,355,893)</u>	<u>\$(6,461,944)</u>

See accompanying notes to consolidated financial statements.

EDISON STATE COMMUNITY COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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

Buildings and improvements	10 – 40 years
Equipment and fixtures	3 – 20 years
Library materials	5 years

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

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

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

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.

Recent Accounting Pronouncements: In 2006, Government Accounting Standards Board Statement No. 47, *Accounting for Termination Benefits* became effective. Currently, the College provides no benefits required to be recognized by this statement.

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

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation.

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 2 - CASH AND INVESTMENTS

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

Cash and cash equivalents: At June 30, 2006, the carrying amounts of the College's cash and cash equivalents was \$2,344,187 (included in cash and cash equivalents in the balance sheet) and the bank balances were \$2,537,536. The differences between carrying amounts and bank balances are primarily due to outstanding checks and deposits in transit at June 30, 2006. 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 \$1,530,513. The remaining balances of \$1,007,023 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: Investments are stated at their fair value of \$7,795,908. The College's investments include \$6,950,000 invested in certificates of deposit. The remaining \$845,908 was on deposit in the State Treasurer's investment pool ("STAR Ohio"). STAR Ohio is an investment pool managed by the Ohio State Treasurer's office that allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. The College's deposit is valued at the pool's share price, which is the price the investment could be sold for on June 30, 2006. STAR Ohio has a AAA rating.

The fair value and cost of deposits and investments, by type, at June 30, 2006 and 2005 are as follows:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,798,272	\$ 1,798,272	\$ 458,016	\$ 458,016
STAR Ohio	845,908	845,908	1,702,002	1,702,002
Certificates of deposit	<u>7,495,915</u>	<u>7,495,915</u>	<u>545,158</u>	<u>545,158</u>
	<u>\$ 10,140,095</u>	<u>\$ 10,140,095</u>	<u>\$ 2,705,176</u>	<u>\$ 2,705,176</u>

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2006 and 2005, consist of billings for student fees and receivables arising from grants and are summarized as follows:

	<u>2006</u>	<u>2005</u>
Student charges	\$ 3,052,668	\$ 3,207,277
Post secondary enrollment options program	1,223,936	996,569
Other	148,816	339,103
Allowance for doubtful accounts	<u>(135,088)</u>	<u>(122,511)</u>
	<u>\$ 4,290,332</u>	<u>\$ 4,420,438</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in the capital assets and related accumulated depreciation during the 2006 and 2005 fiscal year:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2006</u>
Cost:				
Land	\$ 688,414	\$ --	\$ --	\$ 688,414
Land improvements	532,000	--	--	532,000
Buildings and improvements	9,863,750	698,587	--	10,562,337
Student conference center	6,208,972	--	--	6,208,972
Equipment	2,190,767	175,533	--	2,366,300
Vehicles	56,000	--	--	56,000
Library books	1,508,716	--	--	1,508,716
Capital work in progress	<u>241,264</u>	<u>432,546</u>	<u>--</u>	<u>673,810</u>
	<u>21,289,883</u>	<u>1,306,666</u>	<u>--</u>	<u>22,596,549</u>
Less accumulated depreciation:				
Land improvements	407,408	13,115	--	420,523
Building and improvements	5,268,522	231,588	--	5,500,110
Student conference center	1,633,047	171,572	--	1,804,619
Equipment	1,676,638	128,919	--	1,805,557
Vehicles	50,476	2,870	--	53,346
Library books	<u>1,357,845</u>	<u>150,866</u>	<u>--</u>	<u>1,508,711</u>
	<u>10,393,936</u>	<u>698,930</u>	<u>--</u>	<u>11,092,866</u>
Capital assets – net	<u>\$10,895,947</u>	<u>\$ 607,736</u>	<u>\$ --</u>	<u>\$ 11,503,683</u>

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance			Balance
	<u>July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2005</u>
Cost:				
Land	\$ 688,414	\$ --	\$ --	\$ 688,414
Land improvements	532,000	--	--	532,000
Buildings and improvements	9,816,818	46,932	--	9,863,750
Student conference center	6,202,987	5,985	--	6,208,972
Equipment	2,169,278	21,489	--	2,190,767
Vehicles	56,000	--	--	56,000
Library books	1,508,716	--	--	1,508,716
Capital work in progress	<u>--</u>	<u>241,264</u>	<u>--</u>	<u>241,264</u>
	<u>20,974,213</u>	<u>315,670</u>	<u>--</u>	<u>21,289,883</u>
Less accumulated depreciation:				
Land improvements	394,293	13,115	--	407,408
Building and improvements	5,060,445	208,077	--	5,268,522
Student conference center	1,462,621	170,426	--	1,633,047
Equipment	1,502,132	174,506	--	1,676,638
Vehicles	45,921	4,555	--	50,476
Library books	<u>1,056,102</u>	<u>301,743</u>	<u>--</u>	<u>1,357,845</u>
	<u>9,521,514</u>	<u>872,422</u>	<u>--</u>	<u>10,393,936</u>
Capital assets – net	<u>\$11,452,699</u>	<u>\$ (556,752)</u>	<u>\$ --</u>	<u>\$ 10,895,947</u>

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 5 - NONCURRENT LIABILITIES

Noncurrent liabilities as of June 30, 2006 and 2005 are summarized as follows:

	----- 2006 -----					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond obligations	\$ 532,347	\$ 4,060,000	\$ (76,800)	\$ 4,515,547	\$ 81,217	\$ 4,434,330
Capital lease obligation	<u>-</u>	<u>610,000</u>	<u>(16,529)</u>	<u>593,471</u>	<u>52,548</u>	<u>540,923</u>
Total	532,347	4,670,000	(93,328)	5,109,018	133,765	4,975,253
Compensated absences	<u>524,030</u>	<u>27,701</u>	<u>(40,896)</u>	<u>510,835</u>	<u>342,418</u>	<u>168,417</u>
Total	<u>\$ 1,056,377</u>	<u>\$ 4,697,701</u>	<u>\$ (134,224)</u>	<u>\$ 5,619,853</u>	<u>\$ 476,183</u>	<u>\$ 5,143,670</u>
	----- 2005 -----					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond obligations	\$ 604,972	\$ -	\$ (72,625)	\$ 532,347	\$ 76,801	\$ 455,546
Compensated absences	<u>445,836</u>	<u>93,559</u>	<u>(15,365)</u>	<u>524,030</u>	<u>310,432</u>	<u>213,598</u>
Total	<u>\$ 1,050,808</u>	<u>\$ 93,559</u>	<u>\$ (87,990)</u>	<u>\$ 1,056,377</u>	<u>\$ 387,233</u>	<u>\$ 669,144</u>

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

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

The College entered into the capital lease during the year ended June 30, 2006 to acquire energy conservation equipment. Payment is made at a quarterly amount of \$18,749 that includes interest at an annual rate of 3.918% over a 10 year term ending in 2015.

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 5 - NONCURRENT LIABILITIES (Continued)

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 81,217	\$ 131,724	\$ 212,941
2008	215,887	201,362	417,249
2009	225,825	191,082	416,907
2010	236,048	180,309	416,357
2011-2015	906,570	771,458	1,678,028
2016-2020	1,000,000	577,750	1,577,750
2021-2025	1,265,000	308,388	1,573,388
2026-2027	<u>585,000</u>	<u>39,825</u>	<u>624,825</u>
Total	<u>\$ 4,515,547</u>	<u>\$2,401,898</u>	<u>\$ 6,917,445</u>

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2006:

Year Ending <u>June 30</u>	
2007	\$ 74,996
2008	74,996
2009	74,996
2010	74,996
2011-2015	374,980
2016	<u>37,498</u>
Total minimum lease payment	712,462
Less: amount representing interest	<u>118,990</u>
Present value of future minimum lease payments	<u>\$ 593,472</u>

NOTE 6 - BOND ANTICIPATION NOTE

During the year ended June 30, 2006, the College issued a General Receipts Bond Anticipation Note ("Note"), series 2006 for \$3,500,000 that bears interest at 4.15%. Principal and interest are payable in full upon maturity in April 2007. The Note was issued to provide interim construction financing for the Regional Learning Center. The College does not currently have a financing agreement in place to refinance the Note on a long term basis.

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 7 - 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, 2006 and 2005, the State of Ohio did not fund any 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.

NOTE 8 - LEASE AGREEMENT

The College currently has a ten-year lease agreement with Darke County Board of Commissioners for the facilities located in Greenville, Ohio. The total rental expense under this agreement was \$94,914 for the years ended June 30, 2006 and 2005.

At June 30, 2006, minimum lease payments under this lease are as follows:

Year Ending	
<u>June 30,</u>	
2007	\$ 94,914
2008	94,914
2009	94,914
2010	94,914
2011	94,914
2012	<u>7,906</u>
Total minimum lease payment	<u>\$ 482,478</u>

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 9 - RETIREMENT PLANS

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

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

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

OPERS plan members are required to contribute 8.5% of their annual salary, and STRS members contribute 10.0%. The College is required to contribute 13.31% and 14% of annual covered payroll for OPERS 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 OPERS and STRS for the years ended June 30, 2006, 2005 and 2004 were as follows:

<u>Years</u>	<u>Contribution</u>	
	<u>OPERS</u>	<u>STRS</u>
2006	\$ 437,745	\$ 574,148
2005	404,080	580,882
2004	390,546	537,606

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 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.

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 10 - RETIREMENT PLANS (Continued)

Under the provisions of ARP, the required contribution rates of plan participants are 10.0% and 8.5% of employees' covered compensation for employees who would otherwise participate in STRS and OPERS, respectively. The College contributes 8.00% of a participating faculty member's compensation and 7.31% of a participating unclassified staff member's compensation to the participant's account. The College is also required to contribute an additional 3.5% of employees' covered compensation of STRS. Plan participants' contributions were \$57,886 and \$44,655, and the College contributions to the Plan providers amounted to \$67,674 and \$36,326, respectively, for the years ended June 30, 2006 and 2005. In addition, the amounts contributed to STRS by the College on behalf of ARP participants was \$13,989 and \$11,966, respectively, for the years ended June 30, 2006 and 2005.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS ("OPEB")

STRS provides other postemployment benefits to all retirees and their dependents, while OPERS provides postretirement health care coverage to age and service restraints (and dependents) with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 4.5% of the total 14.0% while the OPERS rate was 4.0% of the total 13.31% for the year ended June 30, 2006.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS. Postretirement health care under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to \$3.283 billion as of June 30, 2005. The number of benefit recipients eligible for OPEB was 115,395 for STRS at June 30, 2005. The amount contributed by the College to STRS to fund these benefits was \$189,044 and \$186,712 for the year ended June 30, 2006 and 2005.

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, 2005 is \$11.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$57.6 billion and \$7.1 billion, respectively. The number of OPERS active contributing participants was 381,413 for the year ended December 31, 2005. For the years ended June 30, 2006 and 2005, the College contributed \$130,544 and \$121,436, respectively, to OPERS for OPEB funding. Contributions equal the actuarially required contributions of the Plan for each year.

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 12 - INSURANCE

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

NOTE 13 - CONTINGENCIES

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

NOTE 14 - 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 twenty-four-member board of the Foundation is self-perpetuating and consists of graduates and friends of the college.

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

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

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

(Continued)

EDISON STATE COMMUNITY COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 14 - RELATED ORGANIZATION (Continued)

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

Investments by major types for the years ended June 30, 2006 and 2005 are as follows:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Unrestricted				
Equity funds	\$ 43,131	\$ 53,078	\$ 67,597	\$ 77,373
Bond funds	21,025	20,531	40,949	40,413
Endowment				
Equity funds	86,576	112,400	83,554	100,267
Bond funds	41,633	40,583	45,994	45,635
Scholarship Endowment				
Equity funds	47,320	52,832	18,797	22,256
Bond funds	25,422	24,831	8,979	8,874
Title III special endowment				
Common stock and equity mutual funds	519,446	606,268	533,309	618,302
US Government, agency obligations, corporate bonds, and bond mutual funds	304,924	300,304	270,369	273,115
Alumni Scholarship				
Equity funds	12,251	15,227	11,911	13,725
Bond funds	5,422	5,296	6,006	5,919
Tri-County Educational				
Equity funds	128,736	165,826	124,643	148,118
US Government, agency obligations, corporate bonds, and mutual funds	57,162	56,453	64,243	64,089
Technology Endowment				
Equity funds	31,861	38,902	31,434	35,284
Bond funds	13,775	13,465	15,019	14,768
Other capital funds				
Equity funds	69,492	91,348	165,699	197,517
Bond funds	47,379	46,505	96,338	95,494
Robinson Scholarship				
Equity funds	38,300	47,493	38,429	43,717
Bond funds	<u>17,279</u>	<u>16,899</u>	<u>18,516</u>	<u>18,242</u>
	<u>\$ 1,511,134</u>	<u>\$ 1,708,223</u>	<u>\$ 1,641,786</u>	<u>\$ 1,823,108</u>

Net realized gains on sale of investments were \$67,343 and \$66,503 and capital gains distributions were \$20,441 and \$23,527 for the years ended June 30, 2006 and 2005, respectively.

EDISON STATE COMMUNITY COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 14 - RELATED ORGANIZATION (Continued)

Pledges receivable: As of June 30, 2006, contributors to the Foundation have outstanding unconditional pledges totaling \$1,706,422. Net pledges receivable have been discounted to a net present value of \$1,571,266, which represents fair market value. The discount rate was 5.0%. An allowance for doubtful pledges of \$78,500 has been applied to the receivable balance. 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.

The Foundation is a private nonprofit organization that reports under FASB standards, including 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 University's financial reporting entity for these differences. Complete financial statements for the Foundation can be obtained from Edison Community College, 1973 Edison Drive, Piqua, OH 45356.

SUPPLEMENTAL INFORMATION

EDISON STATE COMMUNITY COLLEGE
Board of Trustees and Administrative Personnel
June 30, 2006

<u>Board of Trustees</u>	<u>Title</u>	<u>Term of Office</u>
Mr. Lewis A. Blackford	Trustee	03/25/03 – 01/18/2009
Mr. Darryl D. Mehaffie	Trustee	02/07/05 – 01/18/2011
Dr. Richard N. Adams	Vice Chairman	03/25/03 – 01/18/2009
Mrs. D. Ann Baird	Trustee	02/02/01 – 01/18/2007
Mr. Richard A. Graeff	Trustee	02/02/01 – 01/18/2007
Mrs. Cynthia S. Helman	Trustee	10/03/03 – 01/18/2007
Mr. Douglas R. Murray	Trustee	04/08/05 – 01/18/2011
Mrs. Lynda Bliss	Trustee	06/13/03 – 01/18/2009
Mr. Thomas P. Milligan	Chairman	02/07/05 – 01/18/2011

<u>College Administration</u>	<u>Title</u>
Dr. Kenneth A. Yowell	President
Mr. Philip C. Lootens	Vice President, Academic/Student Affairs
Mr. Daniel Reke	Vice President for Administrative Services
Mr. Darrel Isaacs	Controller
Ms. Sandra Brubaker	Associate Vice President of Enrollment Management and Student Development
Ms. Kathy Richards	Director, Student Financial Aid

Insurance

All employees were insured with Willis of Ohio for \$500,000. The effective date of the policy is July 1, 2005 to June 30, 2006.

Legal Counsel

Phyllis S. Nedelman
333 North Limestone Street
Springfield, Ohio 45503

College Location

1973 Edison Drive
Piqua, Ohio 45356

EDISON STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2006

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education		
Direct Student Financial Aid Cluster:		
Federal Supplemental Educational Opportunity Grants	84.007	\$ 53,227
Federal Work Study	84.033	95,759
Federal Pell Grant	84.063	2,065,055
Federal Family Education Loans (Note 2)	84.032	<u>2,774,500</u>
Total student financial aid cluster		<u>4,988,541</u>
Passed Through State of Ohio Department of Education		
Vocational Education	84.048	28,488
Tech Prep	84.243	<u>115,604</u>
Total Passed Through State of Ohio Department of Education		<u>144,092</u>
Total Expenditures of Federal Awards		<u>\$ 5,132,633</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, 2006

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - FEDERAL FAMILY EDUCATION LOAN PROGRAM

The College participates in the Federal Family Education Loan Program (including Stafford Loans and Supplemental Loans for Students). Loans processed by the College under this Loan Program were the following for the year ended June 30, 2006:

Federal Subsidized Stafford Loans	\$ 1,401,680
Federal Unsubsidized Stafford Loans	1,366,016
Federal Parental Loans for Undergraduate Students	<u>6,804</u>
	<u>\$ 2,774,500</u>

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



Crowe Chizek and Company LLC
Member Horwath International

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

Board of Trustees
Edison State Community College
Piqua, Ohio

We have audited the financial statements of Edison State Community College as of and for the year ended June 30, 2006, and have issued our report thereon dated October 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 misstatements caused by error or fraud 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 matters involving internal control over financial reporting to the management of the College in a separate letter dated October 16, 2006.

Compliance and Other Matters

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

This report is intended for the information of the audit committee, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Clayton and Coopers LLC

Columbus, Ohio
October 16, 2006



Crowe Chizek and Company LLC
Member Horwath International

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

Board of Trustees
Edison State Community College
Piqua, Ohio

Compliance

We have audited the compliance of Edison State Community 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 each of its major federal programs for the year ended June 30, 2006. Edison State Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Edison State Community College's management. Our responsibility is to express an opinion on Edison State Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *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. Our audit does not provide a legal determination on Edison State Community College's compliance with those requirements.

In our opinion, Edison State Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are to be reported in accordance with OMB Circular A-133 and which are discussed in the accompanying schedule of findings and questioned costs as Finding 06-01. We have communicated other matters involving compliance to the management of the College in a separate letter dated October 16, 2006.

Internal Control Over Compliance

The management of Edison State Community 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 Edison State Community 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 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 applicable requirements of laws, regulations, contracts and grants caused by error or fraud 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 material weaknesses. However, we noted matters involving the internal control over compliance that are to be reported in accordance with OMB Circular A-133 and which are discussed in the accompanying schedule of findings and questioned costs as Finding 06-01.

This report is intended for the information of the audit committee, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Chizek and Coopers LLC

Columbus, Ohio
October 16, 2006

EDISON STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2006

1. Summary of Auditor's Results

- a. An unqualified opinion was issued on the financial statements of Edison State Community College for the year ended June 30, 2006.
- b. An unqualified opinion was issued to Edison State Community College for compliance with major programs.
- c. The audit did not disclose any noncompliance that is material to the financial statements.
- d. There were audit findings required to be disclosed under OMB Circular A-133 Section 510(a), which is identified as Finding 06-01 below.

e. Major Programs Identified:

U.S. Department of Education, Student Financial Aid Cluster:

- Federal Pell Grant Program 84.063
- Federal Supplemental Educational Opportunity Grants 84.007
- Federal Work-Study Program 84.033
- Federal Family Education Loans 84.032

- f. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- g. The auditee was not considered a low-risk auditee.

2. Findings related to financial statements that are required to be reported in accordance with GAGAS:

None.

3. Findings and questioned costs for federal awards including audit findings as described in OMB Circular A-133 Section 510(a):

See Finding 06-01.

EDISON STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2006

FINDING 06-01

Federal Program Information: Federal Family Education Loan Program, CFDA No. 84.032, Pell Grant Program (CFDA No. 84.063)

Criteria: 34 CFR 668.22(j) - Timeframe for the return of Title IV funds: An institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than thirty days after the date of the institution's determination that the student withdrew.

Condition: The return of Title IV funds occurred past the thirty-day requirement for nine students.

Context: Funds from nine out of a sample of forty returns were not returned within the thirty-day required timeframe.

Recommendation: We recommend the College review its policies and procedures over this area to ensure timely processing in all instances.

Management's Response and corrective actions: Management is in agreement with this finding. Enrollment checks are now being run throughout the semester to identify those federal aid recipients who have officially withdrawn from all of their classes. Attendance checks will be made for those students with aid adjustments and R2T4 calculations/refunds will be completed accordingly.

EDISON STATE COMMUNITY COLLEGE
SCHEDULE OF RESOLUTION OF PRIOR YEAR AUDIT FINDINGS
June 30, 2006

No findings or questioned costs for federal awards including audit findings as defined in OMB Circular A-133 Section 510(a) were reported in the prior audit period.



**Auditor of State
Betty Montgomery**

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
JANUARY 2, 2007**