

***Edison State Community
College***

*Financial Statements and Single Audit Reports
for the Years Ended June 30, 2001 and 2000*



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Edison State Community College
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, 2000 to June 30, 2001. 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.

JIM PETRO
Auditor of State

January 22, 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, 2001

Board of Trustees	Title	Term of Office
Mrs. D. Ann Baird	Chairperson	02/02/01 – 01/18/07
Mr. Lewis A. Blackford	Vice Chairman	01/19/97 – 01/18/03
Dr. Richard N. Adams	Trustee	01/19/97 – 01/18/03
Mr. Richard A. Graeff	Trustee	02/02/01 – 01/18/07
Mr. Ray L. Loffer	Trustee	04/09/99 – 01/18/05
Mr. Darryl D. Mehaffie	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
Dr. Sharon Robinson	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 (effective September 24, 2001)

Insurance

All employees were insured with Corroon Black for \$500,000. The effective date of the policy is April 1, 2001 to April 1, 2002.

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

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1700 Courthouse Plaza Northeast
Dayton, Ohio 45402

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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 balance sheets of Edison State Community College (the "College"), a component unit of the State of Ohio, as of June 30, 2001 and 2000 and the related statements of changes in fund balances and current fund revenues, expenditures and other changes for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Edison State Community College as of June 30, 2001 and 2000, and the changes in fund balances and current fund revenues, expenditures and other changes for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were 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 for the year ended June 30, 2001 is presented for the purpose of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. The information in such schedule is the responsibility of the College's management. Such information has been subjected to the auditing procedures applied in our audit of the 2001 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2001 basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have issued a report dated January 16, 2002 on our consideration of Edison State Community 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

January 16, 2002

EDISON STATE COMMUNITY COLLEGE

BALANCE SHEETS JUNE 30, 2001 AND 2000

ASSETS	2001	2000
CURRENT FUNDS:		
Unrestricted:		
Educational and general:		
Cash and cash equivalents (Note B)	\$ 335,437	\$ 382,541
Investments (Note B)	961,571	885,101
Accounts receivable - net (Note C)	1,626,594	1,704,894
Interest receivable	10,370	12,935
Prepaid expenses and deferred charges	41,395	34,585
Due from current restricted funds	50,841	1,016
Due from auxiliary enterprise funds	277,207	221,136
Due from quasi-endowment	254	500
Supplies	<u>21,529</u>	<u>20,747</u>
Total educational and general	<u>3,325,198</u>	<u>3,263,455</u>
Auxiliary enterprise:		
Cash and cash equivalents (Note B)	372,158	306,209
Accounts receivable - net (Note C)	196,611	126,989
Prepaid expenses and deferred charges	44,224	79,857
Inventories	142,012	124,022
Interest receivable	5,042	4,778
Due from current unrestricted funds		439
Total auxiliary enterprise	<u>760,047</u>	<u>642,294</u>
Total unrestricted	<u>4,085,245</u>	<u>3,905,749</u>
Restricted:		
Cash and cash equivalents (Note B)	9,246	35,797
Investments (Note B)	275,775	243,315
Due from auxiliary enterprise funds	58,043	
Due from plant fund		315,247
Accounts receivable (Note C)	320,228	6,689
Total restricted	<u>663,292</u>	<u>601,048</u>
TOTAL CURRENT FUNDS	<u>\$ 4,748,537</u>	<u>\$ 4,506,797</u>
ENDOWMENT FUNDS:		
Cash and cash equivalents (Note B)	\$ 43,146	\$ 42,885
Investments	75,994	73,186
Interest receivable	1,830	376
Due from current restricted funds	<u></u>	<u>219</u>
TOTAL ENDOWMENT FUNDS	<u>\$ 120,970</u>	<u>\$ 116,666</u>
PLANT FUNDS:		
Unexpended:		
Cash and cash equivalents (Note B)	\$ 78,941	\$ 78,941
Investments	400,000	400,000
Accounts receivable (Note C)	22,777	315,247
Due from current unrestricted funds	5,138	
Due from current restricted funds	<u>23,418</u>	<u>46,195</u>
Total unexpended	530,274	840,383
Investment in plant (Note D):		
Land	688,414	693,552
Buildings	10,057,180	9,917,492
Equipment	6,119,991	4,921,229
Student conference center	6,184,703	6,184,703
Vehicles	80,476	80,476
Library books	<u>1,508,716</u>	<u>1,529,816</u>
Total investment in plant	<u>24,639,480</u>	<u>23,327,268</u>
TOTAL PLANT FUNDS	<u>\$ 25,169,754</u>	<u>\$ 24,167,651</u>

EDISON STATE COMMUNITY COLLEGE

BALANCE SHEETS JUNE 30, 2001 AND 2000

LIABILITIES AND FUND BALANCE	2001	2000
CURRENT FUNDS:		
Unrestricted:		
Educational and general:		
Accounts payable	\$ 18,257	\$ 20,041
Accrued salaries	232,602	337,910
Deferred credits - primarily deferred fee income	1,528,234	1,484,567
Accrued vacation and sick pay (Note F)	325,525	241,435
Due to plant funds	5,138	
Due to auxiliary enterprise		439
Fund balance	<u>1,215,442</u>	<u>1,179,063</u>
Total educational and general	<u>3,325,198</u>	<u>3,263,455</u>
Auxiliary enterprise:		
Sales tax payable	3,639	
Due to educational and general fund	277,207	221,136
Due to current restricted funds	58,043	
Fund balance - allocated	<u>421,158</u>	<u>421,158</u>
Total auxiliary enterprise	<u>760,047</u>	<u>642,294</u>
Total unrestricted	<u>4,085,245</u>	<u>3,905,749</u>
Restricted:		
Deferred revenue	23,545	154,528
Due to educational and general fund	50,841	1,016
Due to plant funds	23,418	46,195
Due to quasi endowment funds		219
Fund balance	<u>565,488</u>	<u>399,090</u>
Total restricted	<u>663,292</u>	<u>601,048</u>
TOTAL CURRENT FUNDS	<u>\$ 4,748,537</u>	<u>\$ 4,506,797</u>
ENDOWMENT FUNDS:		
Due to educational and general fund	\$ 254	\$ 500
Fund balance:		
Permanently restricted	85,265	80,728
Board designated	<u>35,451</u>	<u>35,438</u>
Total fund balance	<u>120,716</u>	<u>116,166</u>
TOTAL ENDOWMENT FUNDS	<u>\$ 120,970</u>	<u>\$ 116,666</u>
PLANT FUNDS:		
Unexpended:		
Due to current restricted funds	\$ 530,274	\$ 315,247
Fund balance	<u>530,274</u>	<u>525,136</u>
Total unexpended	530,274	840,383
Investment in plant:		
Bond payable (Note E)	800,000	800,000
Fund balance	<u>23,839,480</u>	<u>22,527,268</u>
Total investment in plant	<u>24,639,480</u>	<u>23,327,268</u>
TOTAL PLANT FUNDS	<u>\$25,169,754</u>	<u>\$24,167,651</u>

See notes to financial statements.

(Concluded)

EDISON STATE COMMUNITY COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2001

	Current Funds					Plant Funds			
	Unrestricted			Restricted Educational and General	Total	Endowment Funds	Unexpended	Retirement of Indebtedness	Investment in Plant Fund
	Educational and General	Auxiliary Enterprise	Total		Current Funds				
REVENUES AND OTHER ADDITIONS:									
Unrestricted current funds revenue	\$ 11,741,524	\$ 1,212,845	\$ 12,954,369	\$	\$ 12,954,369	\$	\$	\$	\$
Federal grants/contracts - restricted				1,495,183	1,495,183				
State appropriations/grants - restricted				596,239	596,239				
Private gifts and grants (Note L)				118,909	118,909				
Other restricted income				80,039	80,039	4,550	5,138		416,665
Expended for plant and equipment, \$959,285 charged to current fund expenditures									959,285
Total revenues and other additions	<u>11,741,524</u>	<u>1,212,845</u>	<u>12,954,369</u>	<u>2,290,370</u>	<u>15,244,739</u>	<u>4,550</u>	<u>5,138</u>		<u>1,375,950</u>
EXPENDITURES AND OTHER DEDUCTIONS:									
Educational and general expenditures	11,931,660		11,931,660	2,123,972	14,055,632				
Auxiliary enterprise expenditures		940,330	940,330		940,330				
Disposal of plant and equipment									63,738
Interest on indebtedness								46,000	
Other deductions									
Total expenditures and other deductions	<u>11,931,660</u>	<u>940,330</u>	<u>12,871,990</u>	<u>2,123,972</u>	<u>14,995,962</u>			<u>46,000</u>	<u>63,738</u>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):									
Mandatory transfer of bond interest	(46,000)		(46,000)		(46,000)			46,000	
Non-mandatory support from auxiliary enterprise	272,515	(272,515)							
NET INCREASE FOR THE YEAR	36,379		36,379	166,398	202,777	4,550	5,138		1,312,212
FUND BALANCE:									
Beginning of year	<u>1,179,063</u>	<u>421,158</u>	<u>1,600,221</u>	<u>399,090</u>	<u>1,999,311</u>	<u>116,166</u>	<u>525,136</u>		<u>22,527,268</u>
End of year	<u>\$ 1,215,442</u>	<u>\$ 421,158</u>	<u>\$ 1,636,600</u>	<u>\$ 565,488</u>	<u>\$ 2,202,088</u>	<u>\$ 120,716</u>	<u>\$ 530,274</u>		<u>\$ 23,839,480</u>

See notes to financial statements.

EDISON STATE COMMUNITY COLLEGE

**STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2000**

	Current Funds					Plant Funds			
	Unrestricted			Restricted Educational and General	Total	Endowment Funds	Unexpended	Retirement of Indebtedness	Investment in Plant Fund
	Educational and General	Auxiliary Enterprise	Total						
REVENUES AND OTHER ADDITIONS:									
Unrestricted current funds revenue	\$ 10,317,220	\$ 1,120,269	\$ 11,437,489	\$	\$ 11,437,489	\$	\$	\$	\$
Federal grants/contracts - restricted				1,011,396	1,011,396				
State appropriations/grants - restricted				385,141	385,141				315,247
Private gifts and grants (Note L)				141,936	141,936	4,287			
Other restricted income				25,552	25,552				
Expended for plant and equipment, \$257,721 charged to current fund expenditures									257,721
Total revenues and other additions	<u>10,317,220</u>	<u>1,120,269</u>	<u>11,437,489</u>	<u>1,564,025</u>	<u>13,001,514</u>	<u>4,287</u>	<u>-</u>	<u>-</u>	<u>572,968</u>
EXPENDITURES AND OTHER DEDUCTIONS:									
Educational and general expenditures	10,672,557		10,672,557	1,239,733	11,912,290				
Auxiliary enterprise expenditures		899,133	899,133		899,133				
Disposal of plant and equipment									179,888
Interest on indebtedness							15,717		
Other deductions									6,585
Total expenditures and other deductions	<u>10,672,557</u>	<u>899,133</u>	<u>11,571,690</u>	<u>1,239,733</u>	<u>12,811,423</u>	<u>-</u>	<u>-</u>	<u>15,717</u>	<u>186,473</u>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):									
Mandatory transfer of bond interest	(15,717)		(15,717)		(15,717)		15,717		
Non-mandatory support from auxiliary enterprise	<u>221,136</u>	<u>(221,136)</u>							
NET INCREASE (DECREASE) FOR THE YEAR	(149,918)	-	(149,918)	324,292	174,374	4,287	-	-	386,495
FUND BALANCE:									
Beginning of year	<u>1,328,981</u>	<u>421,158</u>	<u>1,750,139</u>	<u>74,798</u>	<u>1,824,937</u>	<u>111,879</u>	<u>525,136</u>	<u>-</u>	<u>22,140,773</u>
End of year	<u>\$ 1,179,063</u>	<u>\$ 421,158</u>	<u>\$ 1,600,221</u>	<u>\$ 399,090</u>	<u>\$ 1,999,311</u>	<u>\$ 116,166</u>	<u>\$ 525,136</u>	<u>\$ -</u>	<u>\$ 22,527,268</u>

See notes to financial statements.

EDISON STATE COMMUNITY COLLEGE

STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES YEAR ENDED JUNE 30, 2001

	<u>Unrestricted</u>				
	Educational and General	Auxiliary Enterprise	Total Unrestricted	Restricted	Total
REVENUES:					
Tuition, fees and other student charges	\$ 5,471,530	\$	\$ 5,471,530	\$	\$ 5,471,530
State appropriations	6,000,630		6,000,630	209,026	6,209,656
Federal grants/contracts				1,495,183	1,495,183
State grants/contracts				387,213	387,213
Private gifts and grants (Note L)				118,909	118,909
Sales and services		1,212,845	1,212,845		1,212,845
Other income	<u>269,364</u>		<u>269,364</u>	<u>80,039</u>	<u>349,403</u>
 Total revenues	<u>11,741,524</u>	<u>1,212,845</u>	<u>12,954,369</u>	<u>2,290,370</u>	<u>15,244,739</u>
EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and general expenditures:					
Instruction and departmental research	4,686,923		4,686,923		4,686,923
Public service	1,000,679		1,000,679	34,200	1,034,879
Academic support	326,241		326,241		326,241
Student services	1,179,042		1,179,042	514,904	1,693,946
Institutional support	2,943,256		2,943,256	61,980	3,005,236
Operation and maintenance of plant	1,026,484		1,026,484		1,026,484
Capitalized equipment	645,388		645,388	266,397	911,785
Student financial aid	<u>123,647</u>		<u>123,647</u>	<u>1,246,491</u>	<u>1,370,138</u>
 Total educational and general expenditures	11,931,660		11,931,660	2,123,972	14,055,632
 Auxiliary enterprise		940,330	940,330		940,330
 Mandatory transfer for bond interest	<u>46,000</u>		<u>46,000</u>		<u>46,000</u>
 Total expenditures and mandatory transfers	11,977,660	940,330	12,917,990	2,123,972	15,041,962
NON-MANDATORY TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)					
	<u>272,515</u>	<u>(272,515)</u>			
 NET INCREASE IN FUND BALANCE	<u>\$ 36,379</u>	<u>\$</u>	<u>\$ 36,379</u>	<u>\$ 166,398</u>	<u>\$ 202,777</u>

See notes to financial statements.

EDISON STATE COMMUNITY COLLEGE

STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES YEAR ENDED JUNE 30, 2000

	<u>Unrestricted</u>				
	Educational and General	Auxiliary Enterprise	Total Unrestricted	Restricted	Total
REVENUES:					
Tuition, fees and other student charges	\$5,084,891	\$	\$ 5,084,891	\$	\$ 5,084,891
State appropriations	4,970,887		4,970,887	210,925	5,181,812
Federal grants/contracts				1,011,396	1,011,396
State grants/contracts	50,944		50,944	174,216	225,160
Private gifts and grants (Note L)				141,936	141,936
Sales and services		1,120,269	1,120,269		1,120,269
Other income	210,498		210,498	25,552	236,050
Total revenues	<u>10,317,220</u>	<u>1,120,269</u>	<u>11,437,489</u>	<u>1,564,025</u>	<u>13,001,514</u>
EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and general expenditures:					
Instruction and departmental research	4,454,960		4,454,960		4,454,960
Public service	697,809		697,809	10,763	708,572
Academic support	288,725		288,725		288,725
Student services	1,163,535		1,163,535	161,265	1,324,800
Institutional support	2,682,048		2,682,048	95,162	2,777,210
Operation and maintenance of plant	954,689		954,689		954,689
Capitalized equipment	257,721		257,721		257,721
Student financial aid	173,070		173,070	972,543	1,145,613
Total educational and general expenditures	10,672,557	-	10,672,557	1,239,733	11,912,290
Auxiliary enterprise		899,133	899,133		899,133
Mandatory transfer for bond interest	15,717		15,717		15,717
Total expenditures and mandatory transfers	10,688,274	899,133	11,587,407	1,239,733	12,827,140
NON-MANDATORY TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)	<u>221,136</u>	<u>(221,136)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (149,918)</u>	<u>\$ -</u>	<u>\$ (149,918)</u>	<u>\$ 324,292</u>	<u>\$ 174,374</u>

See notes to financial statements.

EDISON STATE COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2001 AND 2000

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 and Fund Accounting – The financial statements of the College have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America for educational institutions. Under this method, resources for various purposes are classified into funds in accordance with specific activities or objectives with separate accounts maintained for each fund. For reporting purposes, funds with similar characteristics are combined into fund groups, and financial transactions are summarized and reported by such fund groups.

Funds provided by outside sources for specific purposes are reported as restricted funds and may only be used for the purposes intended. Unrestricted fund balances may be internally designated by the Board of Trustees for specific purposes and are reported as allocated funds.

Current funds used for the replacement of equipment and library books are recorded as expenditures. Such items are also capitalized in the Investment in Plant Fund. Nonmandatory transfers as approved by the Board of Trustees include funds to be expended for capital projects and certain other items.

Current Funds:

Unrestricted: The unrestricted fund is used to account for transactions related to the primary and supporting missions of an educational institution. Assets of the unrestricted fund include operating resources that are not restricted to use by either a donor or an external agency.

Restricted: The restricted fund accounts for resources that are available to finance current operations of the College, but whose use has been restricted to some designated activity by donors and other external agencies.

Auxiliary Enterprises: An auxiliary enterprise is an accounting entity within the current fund for activities conducted primarily to provide goods, facilities and services to and generate revenue from students, faculty, staff and, to a lesser extent, the general public. The distinguishing characteristics of an auxiliary enterprise is that it is managed as, and intended to be, an essentially self-supporting activity. The College’s only auxiliary enterprise is the bookstore.

Endowment Funds are those for which donors or other external agencies have stipulated under the terms of the gift instrument creating the fund that the principal of the fund is not expendable.

Plant Fund – The plant fund group is used to account for unexpended plant funds to be used for the acquisition of long-lived assets for institutional purposes and the cost of long-lived assets (other than those of endowment funds) and the sources from which such costs are funded, including associated liabilities.

Cash and cash equivalents include cash and certificates of deposit, and are stated at cost which approximates market.

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

Property, plant and equipment are recorded at cost or, if acquired by gift, at an appraisal value at the date of the gift. Subsequent additions are recorded at cost. When assets are sold or otherwise disposed of, the net investment in the plant fund is reduced accordingly. The College follows the predominant present public educational institution practice of not providing for depreciation.

Accounting 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 as of the date of the financial statements and the reported amounts of revenues and expenditures and other changes in fund balances during the reporting period. Actual results could differ, although management believes that such estimates and assumptions are reasonable.

Financial Statements – The statement of current fund revenues, expenditures and other changes is a statement of financial activity of current funds related to the current reporting period. This statement is presented in two sections to separately report unrestricted funds, over which the Board of Trustees has full control as to use in achieving any of its institutional purposes, in contrast to restricted current funds, whose use is limited to specified activities or objectives. Unrestricted revenues reported in this statement represent funds available for current operating needs, while restricted revenues represent only those restricted funds utilized to meet current year expenditures.

Accounting Pronouncements – GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”, became effective July 1, 2000. This financial statement sets accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. It primarily addresses the timing of recognition of these transactions. A nonexchange transaction would exist when the College gives or receives value without directly receiving or giving essentially equal value in return. Although the College adopted GASB Statement No. 33 for the year ended June 30, 2001, it did not have a material impact on the College’s financial statements.

In November 1999, the GASB issued Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities". This statement requires public colleges and universities to adopt GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." Statement No. 35 will significantly change certain accounting and financial reporting standards for public colleges and universities. This new standard is designed to provide financial information that responds to the needs of primary users of general-purpose external financial reports. The statement is effective for fiscal years beginning after June 15, 2001. It is expected that the adoption of Statement No. 35 will have a material effect on the College's consolidated financial statements. Among other things, net assets (currently referred to as fund balances) will be reduced due to the requirement of this Statement to recognize depreciation on all capital assets. Additionally, the content and presentation of the basic consolidated financial statements will be significantly revised under this Statement, including the addition of management's discussion and analysis as required supplementary information. The College will implement GASB Statement No. 35 on time. 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".

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 Governmental Accounting Standards Board (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, 2001 and 2000, the carrying amounts of the College's deposits in all funds were \$838,928 and \$846,373, respectively (included in cash and cash equivalents in the balance sheet) and the bank balances were \$1,355,532 and \$1,123,720, respectively. The differences between carrying amounts and bank balances are primarily due to outstanding checks and deposits in transit at June 30, 2001 and 2000. 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 \$361,603 in 2001 and \$508,123 in 2000. The remaining balances of \$993,929 in 2001 and \$615,597 in 2000, 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, 2001 and 2000 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, 2001 and 2000, as applicable. 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 in all funds as of June 30, 2001 and 2000 was \$1,713,340 and \$1,601,602, respectively.

C. RECEIVABLES

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

	2001	2000
Current unrestricted funds:		
Educational and general:		
Student charges	\$1,174,079	\$1,313,804
Post secondary enrollment options program	387,491	357,586
Other	149,689	119,362
Allowance for doubtful accounts	<u>(84,665)</u>	<u>(85,858)</u>
	<u>\$1,626,594</u>	<u>\$1,704,894</u>
 Auxiliary enterprise:		
Student charges	\$ 104,114	\$ 52,255
Post secondary enrollment options program	95,216	77,453
Allowance for doubtful accounts	<u>(2,719)</u>	<u>(2,719)</u>
	<u>\$ 196,611</u>	<u>\$ 126,989</u>
 Current restricted funds - primarily grants	<u>\$ 320,228</u>	<u>\$ 6,689</u>
 Unexpended plant fund - grants	<u>\$ 22,777</u>	<u>\$ 315,247</u>

D. PLANT FUND ASSETS

The following is a summary of changes in the investment in plant subgroup during the 2001 fiscal year:

	Balance June 30, 2000	Additions	Retirements	Balance June 30, 2001
Land	\$ 693,552	\$	\$ (5,138)	\$ 688,414
Buildings	9,917,492	139,688		10,057,180
Equipment	4,921,229	1,198,762		6,119,991
Student conference center	6,184,703			6,184,703
Vehicles	80,476			80,476
Library books	<u>1,529,816</u>	<u>37,500</u>	<u>(58,600)</u>	<u>1,508,716</u>
 Total	<u>\$23,327,268</u>	<u>\$1,375,950</u>	<u>\$(63,738)</u>	<u>\$24,639,480</u>

E. PLANT FUND INDEBTEDNESS

Plant fund indebtedness consists of a 5.75% Series 2000 Revenue Bond due December 2010, with scheduled maturities as follows:

Year Ended June 30	Principal	Interest	Total
2002	\$ 61,410	\$ 44,235	\$ 105,645
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
Thereafter	<u>455,546</u>	<u>68,410</u>	<u>523,956</u>
Total	<u>\$ 800,000</u>	<u>\$ 251,107</u>	<u>\$ 1,051,107</u>

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

F. 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. The total amount accrued for compensated absences is as follows:

	June 30	
	2001	2000
Vacation leave	\$212,531	\$186,456
Sick leave	<u>112,994</u>	<u>54,979</u>
Total	<u>\$325,525</u>	<u>\$241,435</u>

G. 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, 2001 and 2000, 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 pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the state.

H. RETIREMENT PLANS

College faculty participate in either the State Teachers Retirement System of Ohio (“STRS”) or an alternative retirement plan (“ARP”). Substantially all other employees participants 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:

<p>PERS 277 East Town Street Columbus, OH 43215-4642 (614) 466-2085</p>	<p>STRS 275 East Broad Street Columbus, OH 43215-3771 (614) 227-4002</p>
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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 13.31% 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. During the year ended June 30, 2001, PERS implemented a temporary employer rollback for calendar year 2000. The 20% rollback resulted in an annualized employer contribution rate of 10.65%. The College’s contributions to PERS and STRS for the years ended June 30, 2001, 2000 and 1999 were as follows:

Years	Contribution	
	PERS	STRS
2001	\$ 271,273	\$ 529,557
2000	319,696	531,851
1999	297,387	452,867

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 \$13,006 and \$14,726, and the College contributions to the Plan providers amounted to \$11,186 and \$12,787, respectively, for the years ended June 30, 2001 and 2000. In addition, the amounts contributed to STRS by the College on behalf of ARP participants were \$12,676 and \$7,186 respectively, for the years ended June 30, 2001 and 2000.

I. 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% (see Note H), while the PERS rate was 4.3% of the total 10.65% (see Note H) for the year ended June 30, 2001.

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 \$3.419 billion as of June 30, 2000. The number of benefit recipients eligible for OPEB was 99,011 for STRS at June 30, 2000. The amount contributed by the College to STRS to fund these benefits was \$170,215 for the year ended June 30, 2001.

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, 1999 is \$10.805 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12.474 billion and \$1.668 billion, respectively. The number of PERS active contributing participants was 401,339 for the year ended December 31, 1999. For the year ended June 30, 2001, the College contributed \$109,528 to PERS for OPEB funding, which is equal to the actuarially required contributions of the Plan.

J. 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.

K. 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.

L. 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 \$1,909,662 and \$2,039,819 at June 30, 2001 and 2000, respectively. Such assets relate principally to donor restricted funds and are not included in the accompanying financial statements. During the year ended June 30, 2001, the Foundation contributed to the College \$45,000 for scholarships and \$54,799 for institutional support. During the year ended June 30, 2000, the Foundation contributed to the College, \$48,952 for scholarships, \$91,925 for institutional support.

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EDISON STATE COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2001

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	\$ 40,519
Federal Family Education Loan (Note B)	84.032	
Federal Work-Study	84.033	15,699
Federal Pell Grant	84.063	<u>1,144,273</u>
Total Student Financial Assistance Cluster		<u>1,200,491</u>
Passed Through State of Ohio Department of Education:		
Vocational Education	84.048	71,575
Tech Prep	84.243	<u>223,117</u>
Total Passed Through State of Ohio Department of Education		<u>294,692</u>
Total U.S. Department of Education		<u>\$1,495,183</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$1,495,183</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, 2001**

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, 2001. 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, 2001, are summarized as follows:

Federal Subsidized Stafford Loans	\$ 353,514
Federal Unsubsidized Stafford Loans	424,852
Federal Parental Loans for Undergraduate Students	<u>4,250</u>
	<u>\$ 782,616</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, 2001, and have issued our report thereon dated January 16, 2002. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Findings Related to the Financial Statements Required to be Reported in Accordance with *Government Auditing Standards* identified as item 01-1.

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 January 16, 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

January 16, 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, 2001. 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, 2001.

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

January 16, 2002

EDISON STATE COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2001

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 – Item noted as Finding 01-1.
 - Material Weakness in Internal Control Over Compliance With Requirements Applicable to Major Federal Awards Programs – None noted
 - 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 noted
 - 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 – See Finding 01-1.
3. Findings and Questioned Costs for Federal Awards – No matters are reportable.

EDISON STATE COMMUNITY COLLEGE

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS YEAR ENDED JUNE 30, 2001

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.

Effect: The required reports are overdue.

Cause: The College's accounting staff did not complete necessary items for the annual audit as they were also implementing a new college financial information system at the same time.

Recommendation: Adequate resources should be allocated to ensure the reporting deadlines are met.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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 24, 2002**