

**EDISON STATE COMMUNITY COLLEGE**

**ANNUAL REPORT  
WITH SUPPLEMENTAL INFORMATION**

June 30, 2014 and 2013





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Edison State Community College, Miami County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2013 through June 30, 2014. 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 "Dave Yost".

Dave Yost  
Auditor of State

November 7, 2014

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EDISON STATE COMMUNITY COLLEGE

Piqua, Ohio

ANNUAL REPORT  
June 30, 2014 and 2013

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EDISON STATE COMMUNITY COLLEGE  
Board of Trustees and Administrative Personnel  
June 30, 2014

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<b><u>Board of Trustees</u></b>	<b><u>Title</u></b>	<b><u>Term of Office</u></b>
Mr. Jim Thompson	Chairman	2009-2015
Mrs. Mary K. Floyd	Trustee	2009-2015
Mr. Roger E. Luring	Trustee	2009-2015
Mr. Darryl D. Mehaffie	Vice Chairman	2011-2017
Mr. Thomas P. Milligan	Trustee	2011-2017
Mr. Tony Wendeln	Trustee	2011-2017
Mrs. Marvella Fletcher	Trustee	2013-2019
Dr. Christopher A. Grove	Trustee	2013-2019
Mr. Robinson W. Joslin	Trustee	2013-2019

<b><u>College Administration</u></b>	<b><u>Title</u></b>
Dr. Cristobal Valdez	President
Dr. Patti Ross	Senior Vice President for Academic Affairs
Mr. John Shishoff	Vice President of Administration and Finance
Mr. David Gansz	Vice President of Information Technology
Mrs. Linda Peltier	Vice President of Strategic Human Resources
Mrs. Kim Horton	Vice President of Institutional Advancement
Mr. Scott Burnam	Vice President of Student Affairs
Mr. Thomas Fryman	Controller
Ms. Kathi Richards	Director of Financial Aid

**Insurance**

All employees are insured through the Ohio Association of Community Colleges (OACC) Risk Management and Insurance Program for \$1,000,000. The effective date of the policy is November 1, 2013 to November 1, 2014.

**Legal Counsel**

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

**College Location**

1973 Edison Drive  
Piqua, Ohio 45356

## Independent Auditor's Report

To the Board of Trustees  
Edison State Community College

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Edison State Community College (the "College"), and its discretely presented component unit, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Edison State Community College's basic financial statements as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

To the Board of Trustees  
Edison State Community College

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Edison State Community College and its discretely presented component unit as of June 30, 2014 and 2013, and the changes in its financial position, and, where applicable, cash flows, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1 to the basic financial statements, effective July 1, 2013, the College adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement introduces and defines those elements as a consumption of net position by the College that is applicable to a future reporting period, and an acquisition of net position by the College that is applicable to a future reporting period, respectively. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis on pages 5-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Edison State Community College's basic financial statements. The schedule of expenditures of federal awards, as identified in the table of contents, is presented for purposes of additional analysis as required by the 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.

To the Board of Trustees  
Edison State Community College

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2014 on our consideration of Edison State Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Edison State Community College's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 9, 2014

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2014 and 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of Edison State Community College's (the "College") financial statements provides an overview of the College's financial activities as of and for the years ended June 30, 2014 and 2013. Management has prepared the financial statements and the related disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with College management.

### **Using This Report**

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

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

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

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

### **Financial Highlights**

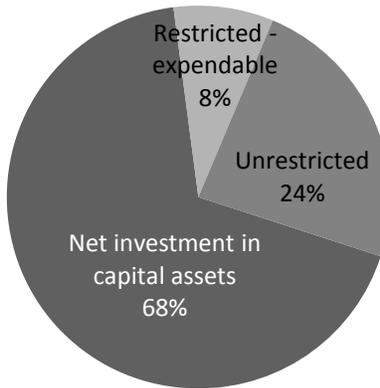
In the fiscal year ended June 30, 2014, the College's revenue and other support exceeded expenses, creating an increase in net position of \$578,144. Although revenue declined from fiscal year 2013, operating expenses also declined, as noted in the following analysis. In addition, the cash and short-term investment position of the College increased by \$132,038.

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2014 and 2013

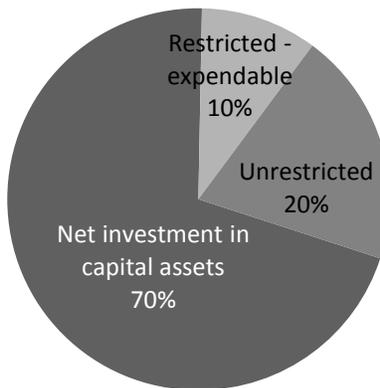
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The following charts provide a graphical breakdown of net position by category for the fiscal years ended June 30, 2014 and 2013:

### Net Position 2014



### Net Position 2013



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

One of the most important questions asked about the College's finances is whether the College, as a whole, is better off or worse off as a result of the year's activities. The Statements of Net Position and the Statements of Revenue, Expenses, and Changes in Net Position report information on the College as a whole and on its activities in a way that helps answer this question. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving or deteriorating. Other indicators of the College's overall health must also be considered. These include the trend and quality of applicants, class size, student retention, strength of faculty, condition of the buildings, and the safety of campus. All are necessary to assess the overall health of the College. The College's financial position was stronger at June 30, 2013 than it was in the prior year. In fiscal year 2013, improvements resulting from cost containment and a smaller increase in tuition rates (compared to 2012) were offset by reduced enrollment, support from the Foundation, and capital grants and appropriations. The College's financial position was stronger at June 30, 2014 than it was in the prior year. In fiscal year 2014, improvements resulting from cost containment and a smaller increase in tuition rates (compared to 2013) were offset by reduced enrollment, support from the Foundation, and capital grants and appropriations.

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2014 and 2013

The following is a summary of the major components of net position and operating results of the College as of and for the years ended June 30, 2014, 2013, and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 7,480,827	\$ 6,407,234	\$ 7,986,697
Noncurrent assets			
Capital assets - Net	16,867,081	17,191,360	17,833,880
Other	<u>1,710,180</u>	<u>1,874,366</u>	<u>1,003,237</u>
Total assets	<u>\$ 26,058,088</u>	<u>\$ 25,472,960</u>	<u>\$ 26,823,814</u>
Current liabilities	\$ 2,222,061	\$ 1,977,367	\$ 3,021,917
Noncurrent liabilities	<u>3,105,398</u>	<u>3,343,108</u>	<u>3,667,444</u>
Total liabilities	5,327,459	5,320,475	6,689,361
Net position			
Net investment in capital assets	14,077,624	14,167,866	14,568,793
Restricted - expendable	1,749,835	1,984,330	2,709,737
Unrestricted	<u>4,903,170</u>	<u>4,000,289</u>	<u>2,855,923</u>
Total net position	<u>20,730,629</u>	<u>20,152,485</u>	<u>20,134,453</u>
Total liabilities and net position	<u>\$ 26,058,088</u>	<u>\$ 25,472,960</u>	<u>\$ 26,823,814</u>

The June 30, 2013 and 2012 restricted net position balances reflect increases of \$170,714 and \$305,854, respectively, due to a reclassification from unrestricted net position to conform to the current year presentation. The June 30, 2013 and 2012 unrestricted net position balances also include increases of \$285,618 and \$667,885, respectively, due to a reclassification from restricted-expendable net position to conform to the current year classification of the College's federal financial aid receivables. These reclassifications had no impact on total net position or the change in net position.

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2014 and 2013

	Years Ended June 30		
	2014	2013	2012
<b>Operating revenues</b>			
Student tuition and fees	\$ 8,707,865	\$ 9,428,694	\$ 9,977,166
Less grants and scholarships	(4,721,331)	(5,229,300)	(6,151,638)
Net student tuition and fees	3,986,534	4,199,394	3,825,528
Federal grants and contracts	213,438	204,953	654,593
State and local grants and contracts	59,661	107,994	105,046
Auxiliary activities	243,936	268,717	333,599
Other operating revenues	154,326	226,182	164,570
Total operating revenues	<u>4,657,895</u>	<u>5,007,240</u>	<u>5,083,336</u>
<b>Operating expenses</b>			
Educational and general instruction			
Instruction	6,246,817	6,793,019	7,113,594
Public service	553,757	664,912	746,005
Academic support	1,023,922	1,024,190	1,062,891
Student services	1,836,506	1,867,473	1,764,416
Institutional support	4,049,169	3,986,542	4,286,844
Plant operations and maintenance	1,500,192	1,496,789	1,441,299
Depreciation	1,014,055	1,003,589	987,742
Student aid	181,297	192,189	228,444
Auxiliary enterprises - bookstore	9,223	12,390	10,297
Total operating expenses	<u>16,414,938</u>	<u>17,041,093</u>	<u>17,641,532</u>
<b>Operating loss</b>	<u>(11,757,043)</u>	<u>(12,033,853)</u>	<u>(12,558,196)</u>
<b>Nonoperating revenues (expenses) and other revenues</b>			
Federal grants and contracts	4,585,924	5,093,261	6,050,015
State appropriations	6,957,876	6,619,428	6,564,156
Interest expense	(149,624)	(159,973)	(168,828)
Other nonoperating revenues	266,209	276,430	548,160
Capital grants	222,739	222,739	334,249
Capital appropriations	452,063	-	185,282
Total nonoperating revenues and other revenues	<u>12,335,187</u>	<u>12,051,885</u>	<u>13,513,034</u>
<b>Change in net position</b>	<u>\$ 578,144</u>	<u>\$ 18,032</u>	<u>\$ 954,838</u>

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2014 and 2013

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### Operating Revenue

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

The following factors had a significant impact on the fiscal year 2014 operating revenue:

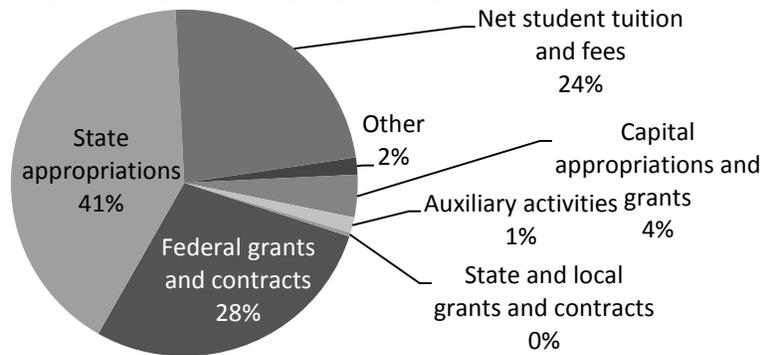
- Gross student tuition and fees decreased by 7.6%, or \$720,829, because academic year 2013/2014 enrollment was down by 8.6% as compared to the prior year. The enrollment decline was partially offset by an increase in tuition and fees of approximately \$3.33 per credit hour, or 2.4%. Net student tuition and fees decreased by \$212,860, or 5.1%, due to a reduction in indirect costs related to Federal Pell Grant awards (which are reported as a reduction in net student tuition and fees) of \$505,629, or 12% of net student tuition and fees. Note that decreases in indirect costs for Pell Grants are offset by similar increases in revenues from Pell Grants, which are reported as other revenues from federal grants and contracts.

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

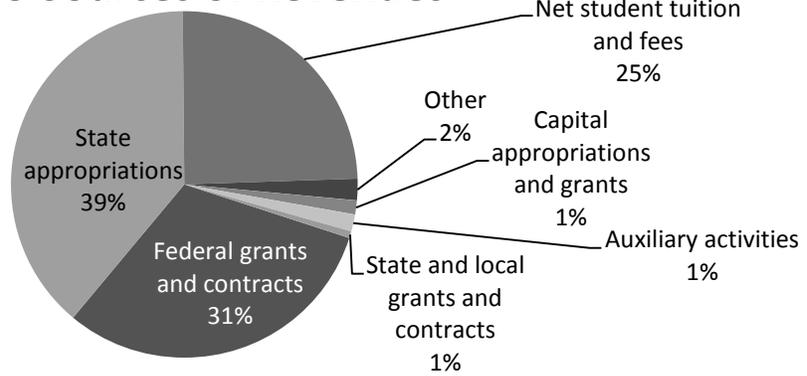
- Student tuition and fees decreased by 5.5%, or \$548,472 because academic year 2012/2013 enrollment was down by 10.8% as compared to the prior year. The enrollment decline was partially offset by an increase in tuition and fees of approximately \$6.70 per credit hour, or 5.2%. Net student tuition and fees increased by \$373,866, or 9.8% due to a reduction in indirect costs related to Federal Pell Grant awards (which are reported as a reduction in net student tuition and fees) of \$946,509, or 24.7% of net student tuition and fees. Note that decreases in indirect costs for Pell Grants are offset by similar increases in revenues from Pell Grants, which are reported as other revenues from federal grants and contracts.
- Federal grants and contracts revenue decreased by \$449,640 or 68.7%, because the College received a \$450,600 Energy Efficiency Conservation Block Grant in fiscal year 2012 that was not replicated in fiscal year 2013. Remaining federal grants remained consistent with fiscal year 2012.

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

### 2014 Sources of Revenues



### 2013 Sources of Revenues



### Operating Expenses

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

Fiscal year 2014 expenses were affected by the following:

- Instructional spending was down by \$546,202, or 8.0%, primarily because lower enrollment enabled the College to reduce the number of course sections offered, thus reducing the expense of part-time faculty.
- Public services spending decreased \$111,155, or 16.7%, due primarily to a reorganization which allowed for savings in the Business & Industry office and the transfer of the Police Academy from the Business & Industry office to Instruction.

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2014 and 2013

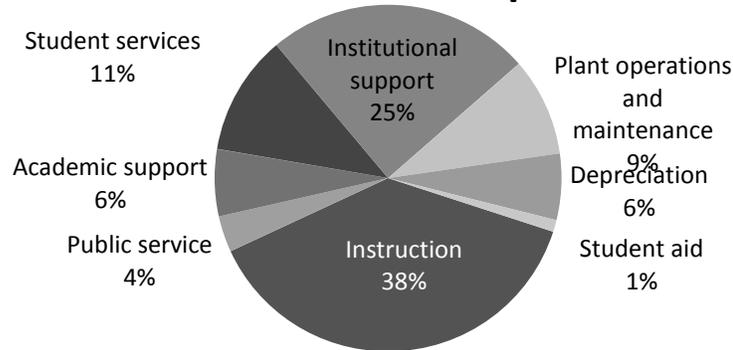
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Fiscal year 2013 expenses were affected by the following:

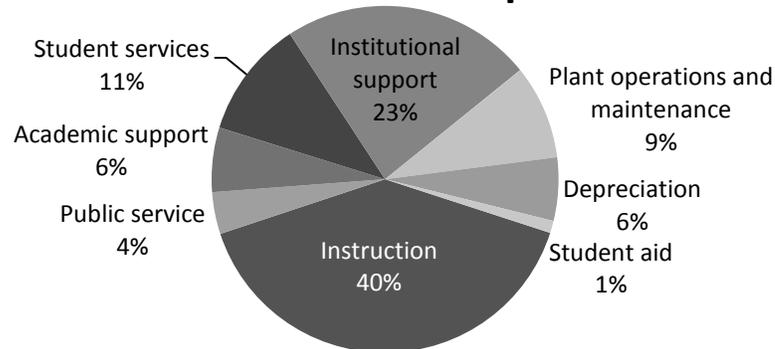
- Instructional spending was down by \$320,575, or 4.5%, primarily because lower enrollment enabled the College to reduce the number of course sections offered, thus reducing the expense of part-time faculty.
- Student services spending increased \$103,057, or 5.8%, due primarily to a reorganization in which the wages, benefits, and other applicable expenses related to 3.75 IT employees were transferred from institutional support to student services. The reorganization was effective October 1, 2012.
- Institutional support spending decreased by \$300,302, or 7.0% as a result of the aforementioned reorganization, strategic cost-cutting measures, and vacancies in several key positions during fiscal year 2013, which were either filled prior to year end or have subsequently been filled in fiscal year 2014.

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

### 2014 Sources of Expenses



### 2013 Sources of Expenses



EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2014 and 2013

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### **Nonoperating Revenues and Other Changes**

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

Fiscal year 2014 nonoperating revenues and other changes were significantly affected by the following factors:

- Federal grants and contracts were \$507,337, or 10.0%, lower than the prior year primarily due to a decrease in Federal Pell Grant awards during fiscal year 2014. Pell Grants decreased \$508,793, or 10.0%, from the prior year.
- State appropriations increased \$338,448, or 5.1%, from fiscal year 2013 to fiscal year 2014 due to a change in the State of Ohio funding model from a model based entirely on enrollment to a model based 50% on enrollment and 50% on student success and course completion. The College increased its share of the funds designated for community colleges by the State of Ohio due to a strong focus on student success and completion.
- Capital appropriations from the State of Ohio totaled \$452,063 in fiscal year 2014, compared to \$0 in fiscal year 2013. Capital appropriations in fiscal year 2014 were used to replace several boilers on campus, to replace the roof on the North Hall, and to construct a new parking lot and sidewalk on campus, a project that was in process at the end of the fiscal year.

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

- Federal grants and contracts were \$956,754, or 15.8%, lower than the prior year primarily due to a decrease in Federal Pell Grant awards during fiscal year 2013. Pell Grants decreased \$958,210, or 15.9%, from the prior year.
- Gifts from the Foundation, which totaled \$235,190 in fiscal year 2013, are reported as a component of other nonoperating revenues. Gifts included \$119,500 of contributions collected by the Inventing Tomorrow Together Capital Campaign in fiscal year 2013 and transferred from the Foundation to the College. In addition, scholarship and other funds transferred amounted to \$115,690, which included \$99,857 for student services from the Texas Guaranteed Grant. The total of \$235,190 was significantly lower than the total in fiscal year 2012 because in fiscal year 2012, the Foundation collected and transferred a total of \$475,000 related to the Inventing Tomorrow Together Capital Campaign.

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2014 and 2013

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**Statement of Cash Flows**

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

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

**Cash Flows for the Years Ended June 30, 2014, 2013, and 2012**

	2014	2013	2012
Cash (used in) provided by:			
Operating activities	\$ (10,356,060)	\$ (10,823,528)	\$ (11,870,472)
Noncapital financing activities	10,677,861	11,947,879	13,139,891
Capital and related financing activities	(392,980)	(536,703)	(832,322)
Investing activities	(1,246,680)	948,984	(159,267)
Net (decrease) increase in cash and cash equivalents	(1,317,859)	1,536,632	277,830
Cash and cash equivalents - beginning of year	3,311,834	1,775,202	1,497,372
Cash and cash equivalents - end of year	\$ 1,993,975	\$ 3,311,834	\$ 1,775,202

The College's cash position decreased by \$1,317,859 in fiscal year 2014. The cash balance decreased primarily due to increased investment of funds during fiscal year 2014. The College's unrestricted investments increased by nearly \$1,450,000 from fiscal year 2013.

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

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2014 and 2013

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**Capital Assets**

As of June 30, 2014, the College had approximately \$32.6 million in capital assets, less accumulated depreciation of \$15.7 million, for a net of \$16.9 million invested. Depreciation charges totaled approximately \$1.0 million for the current and prior two fiscal years.

The net book value of capital assets at June 30, 2014, 2013, and 2012 is as follows:

	2014	2013	2012
Land and land improvements	\$ 739,258	\$ 736,236	\$ 751,218
Building and improvements	6,034,922	6,319,967	6,745,340
Student conference center	3,046,104	3,214,342	3,383,952
Center for Excellence	5,996,925	6,155,558	6,314,193
Equipment	957,756	765,257	639,177
Construction in progress	92,116	-	-
Total	<u>\$ 16,867,081</u>	<u>\$ 17,191,360</u>	<u>\$ 17,833,880</u>

**Long-Term Debt**

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

For more detailed information on current outstanding debt and the subsequent refunding of the aforementioned bonds in fiscal year 2015, see Note 5 to the financial statements.

**Economic Factors and Future Years' Budgets**

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

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

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

- Demographic: The number of traditional college age Ohio students (those graduating from high school) is declining from year to year, while the average age of our community college students has increased, as individuals who are out of work or have had their work hours reduced retool for new professions. The number of potential students in this category is also currently decreasing as the economy improves.

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2014 and 2013

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- Economic: Enrollment increased dramatically during the recession, but has decreased as the economy and job availability improved.
- Policy: In an effort to change the focus of the State Share of Instruction (SSI) formula from an emphasis on enrollment to an emphasis on completion, a new funding model was implemented in fiscal year 2015. Due to the College's focus on increasing student success and completion, Edison received an increase of over 14%, or over \$1,000,000, in SSI funding under the new formula. Edison is represented on the various committees working to complete the formula, and as noted above, is working on strategies to maintain and increase student success. For fiscal year 2016, the model is expected to be further modified to include additional access categories and funding for certain short-term certificates.
- Policy: The Ohio Board of Regents and the Office of Budget Management have both begun to emphasize operational efficiencies through shared services and other collaborative arrangements between state and local government entities. Edison currently participates in a collaborative insurance buying program and is represented on the Board of Regents new Efficiency Committee. Edison's fiscal sustainability strategies could be enhanced by this committee's efforts.
- Policy: The state has increased the emphasis on campus safety, security, and emergency processes and procedures in light of recent active shooter incidents and natural disasters. Edison has adequate policies in place, although we are currently reviewing our procedures in light of new information and requirements. Edison is represented on the Board of Regents Safety Committee.

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

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

Edison's future forecast.

- Fiscal Year 2015: We expect net assets to increase significantly during fiscal year 2015 due to several factors. The revised model adopted by the State of Ohio to allocate the State Share of Instruction based on student success and completion has rewarded Edison's focus on these initiatives, resulting in an increase in SSI of nearly \$1,000,000 over fiscal year 2014. In addition, fiscal year 2015 marks the first year of a new Capital Budget. Capital Budgets are typically heavily weighted in the first two years; therefore, Edison expects to complete nearly \$1,000,000 in State-funded projects to improve facilities and meet student and workforce education requirements. These improvements are partially offset by continuing challenges faced by the College, such as decreases in enrollment and increased healthcare costs.

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2014 and 2013

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- Fiscal Year 2016: Forecasting an additional year in advance is always difficult; however, the impacts of several policy and economic shifts are being considered as we plan for fiscal year 2016. First and foremost, the College will continue its efforts to maintain and increase enrollment, while not sacrificing our efforts to ensure student success. The new SSI funding model is based on the average results from the previous three fiscal years; therefore, we do not expect a significant shift in funding from fiscal year 2015 to fiscal year 2016. However, as the State of Ohio is not expected to significantly increase the share of the State budget available to community colleges, we are currently working to develop strategies to ensure that we maintain and improve upon our high performance in the areas of student success and completion in an attempt to secure our portion of State funding. Also, in fiscal year 2016, the State will implement the College Credit Plus (CC+) program, which establishes a new funding model for high school students earning college credit. Under the current model, the State of Ohio pays colleges directly for high school students taking classes at the college, while, in most instances, the students' parents pay the college if college credit was awarded for certain approved classes completed at the high school. Under the new CC+ model, high schools must pay the colleges when the high schools' students earn college credit, regardless of the method of delivery. A tiered rate schedule can be negotiated between each high school and the college or university with which they partner depending on the method and location of course delivery, although the State has set certain limits for these fees. While this program is expected to significantly reduce the revenue we receive per credit hour per student, the College is working to increase overall participation amongst the high schools and their students in a cost effective manner to increase the number of students participating in and successfully completing college courses while in high school.

EDISON STATE COMMUNITY COLLEGE  
STATEMENTS OF NET POSITION  
June 30, 2014 and 2013

	College 2014	College 2013	College Related Foundation 2014	College Related Foundation 2013
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,993,975	\$ 3,311,834	\$ 115,283	\$ 142,526
Investments	2,204,220	754,323	-	-
Accounts and pledges receivable (net)	3,108,060	2,214,442	2,231	106,700
Prepaid expenses and other	165,655	117,930	3,572	4,508
Inventories	8,917	8,705	-	-
Total current assets	<u>7,480,827</u>	<u>6,407,234</u>	121,086	253,734
<b>Noncurrent Assets</b>				
Restricted investments	1,710,180	1,874,366	-	-
Investments	-	-	1,921,320	1,727,973
Capital assets (net)	<u>16,867,081</u>	<u>17,191,360</u>	-	-
Total noncurrent assets	<u>18,577,261</u>	<u>19,065,726</u>	<u>1,921,320</u>	<u>1,727,973</u>
Total assets	<u>\$ 26,058,088</u>	<u>\$ 25,472,960</u>	<u>\$ 2,042,406</u>	<u>\$ 1,981,707</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable and accruals	\$ 512,759	\$ 339,937	\$ -	\$ -
Accrued salaries, wages, and benefits	773,283	693,339	-	-
Unearned revenues	688,818	710,054	-	-
Capital lease obligation, current	72,201	69,037	-	-
Long-term debt, current	<u>175,000</u>	<u>165,000</u>	-	-
Total current liabilities	2,222,061	1,977,367	-	-
<b>Noncurrent Liabilities</b>				
Accrued compensated absences	217,900	208,409	-	-
Capital lease obligation	37,498	109,699	-	-
Long-term debt	<u>2,850,000</u>	<u>3,025,000</u>	-	-
Total liabilities	<u>5,327,459</u>	<u>5,320,475</u>	-	-
<b>Net Position</b>				
Net investment in capital assets	14,077,624	14,167,866	-	-
Restricted - expendable	1,749,835	1,984,330	601,268	658,625
Restricted - nonexpendable	-	-	141,334	133,622
Unrestricted	<u>4,903,170</u>	<u>4,000,289</u>	<u>1,299,804</u>	<u>1,189,460</u>
Total net position	<u>\$ 20,730,629</u>	<u>\$ 20,152,485</u>	<u>\$ 2,042,406</u>	<u>\$ 1,981,707</u>

EDISON STATE COMMUNITY COLLEGE  
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
Years Ended June 30, 2014 and 2013

	College 2014	College 2013	College Related Foundation 2014	College Related Foundation 2013
<b>Operating revenue</b>				
Student tuition and fees	\$ 8,707,865	\$ 9,428,694	\$ -	\$ -
Less grants and scholarships	(4,721,331)	(5,229,300)	-	-
Net student tuition and fees	3,986,534	4,199,394	-	-
Federal grants and contracts	213,438	204,953	-	-
State and local grants and contracts	59,661	107,994	-	-
Auxiliary enterprises - bookstore	243,936	268,717	-	-
Gifts	-	-	186,809	317,248
Other operating revenue	154,326	226,182	-	-
Total revenues, gains, and other support	<u>4,657,895</u>	<u>5,007,240</u>	<u>186,809</u>	<u>317,248</u>
<b>Operating expenses</b>				
Instruction	6,246,817	6,793,019	-	-
Public service	553,757	664,912	-	-
Academic support	1,023,922	1,024,190	-	-
Student services	1,836,506	1,867,473	-	-
Institutional support	4,049,169	3,986,542	68,696	157,583
Plant operations and maintenance	1,500,192	1,496,789	-	-
Depreciation and amortization	1,014,055	1,003,589	-	-
Student aid	181,297	192,189	-	-
Auxiliary enterprises	9,223	12,390	-	-
Total operating expenses	<u>16,414,938</u>	<u>17,041,093</u>	<u>68,696</u>	<u>157,583</u>
Operating (loss) income	<u>(11,757,043)</u>	<u>(12,033,853)</u>	<u>118,113</u>	<u>159,665</u>
<b>Nonoperating revenues (expenses)</b>				
Federal grants and contracts	4,585,924	5,093,261	-	-
State appropriations	6,957,876	6,619,428	-	-
Gifts - including \$227,178 and \$235,190 from Foundation for 2014 and 2013, respectively	227,178	235,190	-	2,963
Investment income, net of expense	39,031	41,240	61,972	103,264
Interest expense	(149,624)	(159,973)	-	-
Transfer from Edison Foundation	-	-	(119,386)	(311,800)
Total nonoperating revenues (expenses)	<u>11,660,385</u>	<u>11,829,146</u>	<u>(57,414)</u>	<u>(205,573)</u>
Income (loss) before other changes	<u>(96,658)</u>	<u>(204,707)</u>	<u>60,699</u>	<u>(45,908)</u>
<b>Other changes</b>				
Capital grants	222,739	222,739	-	-
Capital appropriation	452,063	-	-	-
Total other changes	<u>674,802</u>	<u>222,739</u>	<u>-</u>	<u>-</u>
Change in Net Position	578,144	18,032	60,699	(45,908)
Net position at beginning of year - as restated	20,152,485	20,134,453	1,981,707	2,027,615
Net position at end of year	<u>\$ 20,730,629</u>	<u>\$20,152,485</u>	<u>\$ 2,042,406</u>	<u>\$ 1,981,707</u>

EDISON STATE COMMUNITY COLLEGE  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2014 and 2013

	2014	2013
<b>Cash flows from operating activities</b>		
Student tuition and fees	\$ 4,112,408	\$ 4,844,306
Grants and contracts	325,488	312,947
Payments to vendors and employees	(15,192,218)	(16,475,680)
Auxiliary enterprises	243,936	268,717
Other receipts	154,326	226,182
Net cash used in operating activities	(10,356,060)	(10,823,528)
<b>Cash flows from noncapital financing activities</b>		
State appropriations	6,957,876	6,619,428
Federal grants and contracts	3,492,807	5,093,261
Gifts	227,178	235,190
Net cash from noncapital financing activities	10,677,861	11,947,879
<b>Cash flows from capital and related financing activities</b>		
Capital grants	222,739	222,739
Purchases of capital assets	(234,515)	(357,876)
Interest paid on outstanding debt	(150,167)	(159,973)
Proceeds from the sale of fixed assets	3,000	-
Principal paid on outstanding debt	(234,037)	(241,593)
Net cash used in capital and related financing activities	(392,980)	(536,703)
<b>Cash flows from investing activities</b>		
Proceeds from maturities of investments	633,228	6,080,966
Purchase of investments	(1,880,474)	(5,133,221)
Interest on investments	566	1,239
Net cash from (used in) investing activities	(1,246,680)	948,984
Net increase (decrease) in cash and cash equivalents	(1,317,859)	1,536,632
Cash and cash equivalents, beginning of year	3,311,834	1,775,202
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,993,975</b>	<b>\$ 3,311,834</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (11,757,043)	\$ (12,033,853)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,010,857	1,000,396
Changes in assets and liabilities:		
Accounts receivable	196,499	1,351,864
Inventories	(212)	1,054
Prepaid expenses and other	(47,725)	(15,696)
Accounts payable and accruals	173,365	(424,861)
Accrued salaries, wages, and benefits	89,435	4,520
Unearned revenues	(21,236)	(706,952)
Net cash used in operating activities	<b>\$ (10,356,060)</b>	<b>\$ (10,823,528)</b>

**Noncash investing, capital, and financing activities:**

During the year ended June 30, 2014, the College acquired \$452,063 in capital assets that were funded through State Capital Appropriations. The College received no cash for these appropriations and made no cash payments to vendors as the State of Ohio made payments directly to vendors.

EDISON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

The College has adopted GASB Statement No. 61, *Financial Reporting Entity: Omnibus*. This statement provides criteria for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the College has one component unit. The College has determined that the Edison Foundation, Inc. is a component unit of the College. The financial activity of the Edison Foundation, Inc. is included through a discrete presentation as part of the College's financial statements.

Net Position Classifications: In accordance with GASB Statement No. 63 guidelines, the College's resources are classified into the following net asset categories:

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

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

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

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

EDISON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Operating Versus Nonoperating Revenue and Expenses: The College defines operating activities as reported on the statement of activities as those that generally result from exchange transactions such as payments received for providing goods or services and payments made for goods or services received. All of the College's expenses are from exchange transactions. Certain significant revenue streams relied on for operations as well as Pell grants, which are included in nonoperating federal grants and contracts on the statements of revenue, expenses, and changes in net position, are reported as non-operating revenue as required by GASB Statement No. 35 and recent updates in the GASB's *Implementation Guide*, including state appropriations, investment income, and Pell Grants.

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

Accounts Receivable: Accounts receivable primarily consist of tuition and fees charged to students. Accounts receivable also include amounts due from federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. Allowance is determined based on historical analysis.

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

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

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

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

Buildings and improvements	10 - 40 years
Student conference center	3 - 45 years
Center for excellence	45 years
Equipment and fixtures	3 - 20 years

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

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

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Change in Accounting Principle: In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. In accordance with the statement, the College has expensed unamortized bond issuance costs of \$57,290, and the net position of the College as of July 1, 2012 has been restated by this amount.

Reclassification: The June 30, 2013 restricted net position balance reflects an increase of \$170,714 due to a reclassification from unrestricted net position to conform to the current year presentation. The June 30, 2013 unrestricted net position balance also includes an increase of \$285,618 due to a reclassification from restricted-expendable net position to conform to the current year classification of the College's federal financial aid receivables. These reclassifications had no impact on total net position or the change in net position.

**NOTE 2 - CASH AND INVESTMENTS**

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

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Cash and Cash Equivalents: At June 30, 2014 and 2013, the carrying amount of the College's cash and cash equivalents was \$1,993,975 and \$3,311,834, respectively, (included in cash and cash equivalents in the statements of net position) and the bank balances were \$1,756,469 and \$3,595,252, respectively, that are placed with federally insured banks. The remaining balances of \$345,241 at June 30, 2014 and 2013 were invested in United States government securities. These arrangements are in compliance with the Ohio Revised Code. Cash is generally in excess of the Federal Deposit Insurance Corporation's insurance limit. However, the College has not experienced any significant losses and does not believe it is subject to significant risk. Also included in cash and cash equivalents are \$12,243 and \$12,240 at June 30, 2014 and 2013, respectively, which were on deposit in the State Treasurer's investment pool (STAR Ohio). STAR Ohio is an investment pool managed by the Ohio State Treasurer's office that allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. The College's deposit is valued at the pool's share price which is the price the investment could be sold for on June 30, 2014 and 2013. STAR Ohio has a AAA rating.

Investments: Investments are stated at their fair value of \$3,914,400 and \$2,628,689 at June 30, 2014 and 2013, respectively, and are invested in certificates of deposit covered by federal depository insurance.

The fair value and cost of deposits and investments, by type, at June 30, 2014 and 2013 are as follows:

	2014	2013
Cash	\$ 1,981,732	\$ 3,299,594
STAR Ohio	12,243	12,240
Certificates of deposit	3,914,400	2,628,689
Total	<u>\$ 5,908,375</u>	<u>\$ 5,940,523</u>

**NOTE 3 - ACCOUNTS RECEIVABLE**

Receivables at June 30, 2014 and 2013 consist of billings for student fees and receivables arising from grants and are summarized as follows:

	2014	2013
Student charges	\$ 1,160,379	\$ 1,057,885
Post-secondary enrollment options program	1,593,311	1,623,542
Federal grants and contracts	1,351,735	285,618
Other	73,784	173,014
Allowance for doubtful accounts	(1,071,149)	(925,617)
Total	<u>\$ 3,108,060</u>	<u>\$ 2,214,442</u>

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 4 - CAPITAL ASSETS**

The following is a summary of changes in the capital assets and related accumulated depreciation during the 2014 and 2013 fiscal years:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Cost:				
Land	\$ 688,414	\$ -	\$ -	\$ 688,414
Land improvements	599,777	18,684	-	618,461
Buildings and improvements	13,845,430	144,711	-	13,990,141
Student conference center	6,208,972	-	-	6,208,972
Center for Excellence	7,138,503	-	-	7,138,503
Equipment	3,437,792	431,178	(38,708)	3,830,262
Construction in progress	-	92,116	-	92,116
Total	<u>31,918,888</u>	<u>686,689</u>	<u>(38,708)</u>	<u>32,566,869</u>
Less accumulated depreciation:				
Land improvements	551,955	15,662	-	567,617
Buildings and improvements	7,525,463	429,756	-	7,955,219
Student conference center	2,994,630	168,238	-	3,162,868
Center for Excellence	982,945	158,633	-	1,141,578
Equipment	2,672,535	238,569	(38,598)	2,872,506
Total	<u>14,727,528</u>	<u>1,010,858</u>	<u>(38,598)</u>	<u>15,699,788</u>
Capital assets - Net	<u>\$17,191,360</u>	<u>\$ (324,169)</u>	<u>\$ (110)</u>	<u>\$ 16,867,081</u>

Construction in progress represents the cost of work performed on the College's new parking lot and sidewalk through June 30, 2014, including amounts invoiced but not yet paid. Remaining commitments for work yet to be completed totaled \$188,184 at June 30, 2014.

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

**NOTE 4 - CAPITAL ASSETS (Continued)**

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Cost:				
Land	\$ 688,414	\$ -	\$ -	\$ 688,414
Land improvements	599,777	-	-	599,777
Buildings and improvements	13,845,430	-	-	13,845,430
Student conference center	6,208,972	-	-	6,208,972
Center for Excellence	7,138,503	-	-	7,138,503
Equipment	<u>3,079,916</u>	<u>357,876</u>	<u>-</u>	<u>3,437,792</u>
Total	<u>31,561,012</u>	<u>357,876</u>	<u>-</u>	<u>31,918,888</u>
Less accumulated depreciation:				
Land improvements	536,973	14,982	-	551,955
Buildings and improvements	7,100,090	425,373	-	7,525,463
Student conference center	2,825,020	169,610	-	2,994,630
Center for Excellence	824,310	158,635	-	982,945
Equipment	<u>2,440,739</u>	<u>231,796</u>	<u>-</u>	<u>2,672,535</u>
Total	<u>13,727,132</u>	<u>1,000,396</u>	<u>-</u>	<u>14,727,528</u>
Capital assets - Net	<u>\$17,833,880</u>	<u>\$ (642,520)</u>	<u>\$ -</u>	<u>\$ 17,191,360</u>

**NOTE 5 - NONCURRENT LIABILITIES**

Noncurrent liabilities as of June 30, 2014 and 2013 are summarized as follows:

	2014					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond obligations	\$3,190,000	\$ -	\$ 165,000	\$3,025,000	\$ 175,000	\$2,850,000
Capital lease obligation	<u>178,736</u>	<u>-</u>	<u>69,037</u>	<u>109,699</u>	<u>72,201</u>	<u>37,498</u>
Total	3,368,736	-	234,037	3,134,699	247,201	2,887,498
Compensated absences	<u>496,020</u>	<u>-</u>	<u>10,272</u>	<u>485,748</u>	<u>267,848</u>	<u>217,900</u>
Total	<u>\$3,864,756</u>	<u>\$ -</u>	<u>\$ 244,309</u>	<u>\$3,620,447</u>	<u>\$ 515,049</u>	<u>\$3,105,398</u>

(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

**NOTE 5 - NONCURRENT LIABILITIES** (Continued)

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

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

The College entered into the capital lease during the year ended June 30, 2006 to acquire energy conservation equipment. Payment is made at a quarterly amount of \$18,749 that includes interest at an annual rate of 3.907% over a 10-year term ending in 2016.

The annual debt service requirements to maturity for the bonds payable are as follows as of June 30, 2014:

Year Ending <u>June 30</u>	Principal	Interest	Total
2015	\$ 175,000	\$ 137,189	\$ 312,189
2016	180,000	129,645	309,645
2017	190,000	121,070	311,070
2018	200,000	111,320	311,320
2019	210,000	101,070	311,070
2020-2024	1,210,000	336,948	1,546,948
2025-2027	<u>860,000</u>	<u>59,175</u>	<u>919,175</u>
Total	<u>\$ 3,025,000</u>	<u>\$ 996,417</u>	<u>\$ 4,021,417</u>

Effective September 9, 2014, \$2,860,000 of the Series 2006 General Receipts Bonds was refunded with Series 2014 General Receipts Refunding Bonds. The College refunded the callable Series 2006 bonds to capitalize on more favorable interest rates, resulting in interest savings of approximately \$158,853 over the remaining lives of the bonds. The College's Series 2014 General Receipts Refunding Bonds are rated Aa2 under the State of Ohio's Credit Enhancement Program.

(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 5 - NONCURRENT LIABILITIES (Continued)**

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2014:

Year Ending <u>June 30</u>	
2015	\$ 74,996
2016	<u>37,498</u>
Total minimum lease payment	112,494
Less amount representing interest	<u>2,795</u>
Present value of future minimum lease payments	<u><u>\$ 109,699</u></u>

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

**NOTE 6 - STATE SUPPORT**

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

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

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

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

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 7 - LEASE AGREEMENTS**

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

At June 30, 2014, minimum lease payments under this lease are as follows:

Year Ending	
<u>June 30</u>	
2015	\$ 175,848
2016	173,355
2017	<u>71,866</u>
Total minimum lease payments	<u>\$ 421,069</u>

**NOTE 8 - RETIREMENT PLANS**

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

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

OPERS  
277 East Town Street  
Columbus, OH 43215-4642  
(614) 222-6705

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. Effective January 1, 2010, the employee contribution rate for employees participating in OPERS was 10% for employees other than law enforcement. Effective July 1, 2013, the employee contribution rate for employees participating in STRS increased from 10% to 11%, with employee contribution rates increasing 1% on July 1 of each subsequent year until reaching 14% on July 1, 2016. Effective January 1, 2010, the employer contribution rate for local government employers was 14%. The contribution requirements of plan members and the College are established and may be amended by state statute.

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 8 - RETIREMENT PLANS (Continued)**

The College's contributions to OPERS and STRS for the years ended June 30, 2014, 2013, and 2012 were as follows:

<u>Years</u>	<u>Contribution</u>	
	<u>OPERS</u>	<u>STRS</u>
2014	\$ 500,932	\$ 554,918
2013	507,196	604,898
2012	499,248	637,044

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

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

Under the provisions of the ARP, the required contribution rates of plan participants are equal to the contribution rates of employees who would otherwise participate in STRS or OPERS. The College contributes 10.5% of a participating faculty member's compensation and 13.23% of participating non-faculty member's compensation to the participant's account. The College is also required to contribute an additional 3.5% of employees' covered compensation to STRS and .77% of employees' covered compensation to OPERS. Plan participants' contributions to STRS and OPERS were \$78,429 and \$66,257 and the College contributions to the Plan providers amounted to \$119,698 and \$112,876, respectively, for the years ended June 30, 2014 and 2013. In addition, the amounts contributed to STRS and OPERS by the College on behalf of ARP participants were \$25,822 and \$18,650, respectively, for the years ended June 30, 2014 and 2013.

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

STRS provides other postemployment benefits to all retirees and their dependents, while OPERS provides postretirement healthcare coverage to age and service restraints (and dependents) with 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 1% of the total 14% employer contribution while the OPERS rate was .77% of the total 14% employer contribution for the years ended June 30, 2014 and 2013.

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(Continued)

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

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement healthcare through their contributions to STRS and OPERS. Postretirement healthcare under STRS is financed on a pay-as-you-go basis. Net assets available in the healthcare reserve fund for STRS amounted to \$3.3 billion as of June 30, 2013. The number of benefit recipients eligible for OPEB was 149,221 for STRS at July 1, 2013. The amount contributed by the College to STRS to fund these benefits was \$39,637 and \$43,207 for the years ended June 30, 2014 and 2013, respectively.

Postretirement healthcare under OPERS is advanced-funded on an actuarially determined basis. The actuarial value of OPERS net assets available for OPEB at December 31, 2012, the most recent reported valuation date, is \$12.2 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$19.2 billion and \$7 billion, respectively. The number of OPERS active contributing participants was 347,727 for the year ended December 31, 2013. For the years ended June 30, 2014 and 2013, the College contributed \$27,551 and \$27,896, respectively, to OPERS for OPEB funding. Contributions equal the actuarially required contributions of the Plan for each year.

**NOTE 10 - INSURANCE**

The College maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The College also carries professional coverage for employees and its Board of Trustees. Over the past three years, settlement amounts related to these insured risks have been negligible.

**NOTE 11 - CONTINGENCIES**

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

**NOTE 12 - FEDERAL DIRECT LENDING PROGRAM**

The College distributed \$6,298,361 for student loans through the U.S. Department of Education federal direct lending program for the year ended June 30, 2014. The College distributed \$7,690,204 for student loans through the U.S. Department of Education federal direct lending program for the year ended June 30, 2013. These distributions and related funding source are not included as expenses or revenue in the accompanying financial statements.

**NOTE 13 - RELATED ORGANIZATION**

The Edison Foundation, Inc. (the "Foundation") is a separate not-for-profit entity organized for the purpose of promoting educational activities of the College. Since these resources held by the Foundation can be used only by and for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. The up to 25-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Amounts transferred to the College from the Foundation are recorded as nonoperating gifts in the accompanying financial statements.

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014 and 2013

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**NOTE 13 - RELATED ORGANIZATION** (Continued)

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

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

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

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

Pledges Receivable: As of June 30, 2014 and 2013, contributors to the Foundation have outstanding unconditional pledges totaling \$0 and \$110,000, respectively. An allowance for doubtful pledges of \$0 and \$3,300 has been applied to the gross receivable balance as of June 30, 2014 and 2013, respectively. The allowance is based upon management's judgment, past collection experience, and other relevant factors. All pledges have been classified as temporarily restricted net assets since they will either expire or be fulfilled within a specified period of time. Net pledges are as follows:

	2014	2013
Less than one year	\$ -	\$ 106,700
One to five years	-	-
Total	\$ -	\$ 106,700

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

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 13 - RELATED ORGANIZATION** (Continued)

Investments by major types for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Corporate bonds	\$ 348,273	\$ 448,085
Common stocks	686,626	514,578
Mutual funds - REITS	71,765	79,324
Mutual funds - Fixed income	295,630	290,962
Mutual funds - Equities	<u>519,026</u>	<u>395,024</u>
Total	<u>\$ 1,921,320</u>	<u>\$ 1,727,973</u>

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

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2014 and 2013 and the valuation techniques used by the Foundation to determine those fair values.

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

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

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

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

**NOTE 13 - RELATED ORGANIZATION** (Continued)

Fair Value Measurements at June 30, 2014			
	Quoted Prices in		
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Level 1)	(Level 2)	(Level 3)
	(Level 1)	(Level 2)	(Level 3)
<b>Assets:</b>			
Fixed income - Domestic	\$ 332,447	\$ 50,646	\$ -
Fixed income - International	56,906	51,694	-
Fixed income - U.S. agencies	-	152,210	-
Equities - Domestic	1,053,271	-	-
Equities - International	152,381	-	-
Equities - REITS	<u>71,765</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,666,770</u>	<u>\$ 254,550</u>	<u>\$ -</u>

Fair Value Measurements at June 30, 2013			
	Quoted Prices in		
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Level 1)	(Level 2)	(Level 3)
	(Level 1)	(Level 2)	(Level 3)
<b>Assets:</b>			
Fixed income - Domestic	\$ 411,685	\$ 50,452	\$ -
Fixed income - International	70,339	52,346	-
Fixed income - U.S. agencies	-	154,225	-
Equities - Domestic	848,349	-	-
Equities - International	61,253	-	-
Equities - REITS	<u>79,324</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,470,950</u>	<u>\$ 257,023</u>	<u>\$ -</u>

Net realized and unrealized (losses) gains on investments were \$196,892 and \$60,904 for the years ended June 30, 2014 and 2013, respectively. There were no capital gains distributions in either year.

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

(Continued)

**NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

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

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(Continued)

**SUPPLEMENTAL INFORMATION**

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Trustees  
Edison State Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Edison State Community College and its discretely presented component unit (the "College") as of and for the year ended June 30, 2014, and related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 9, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2014-001 that we consider to be a significant deficiency.

To Management and the Board of Trustees  
Edison State Community College

### **Compliance and Other Matters**

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

### **Edison State Community College's Response to Finding**

Edison State Community College's response to the finding identified in our audit are described in the accompanying schedule of finding and questioned costs. Edison State Community College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Plante & Morse, PLLC*

October 9, 2014

Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees  
Edison State Community College

**Report on Compliance for Each Major Federal Program**

We have audited Edison State Community College's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2014. Edison State Community College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Edison State Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of Trustees  
Edison State Community College

### ***Opinion on Each Major Federal Program***

In our opinion, Edison State Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

Management of Edison State Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Edison State Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

*Plante & Morse, PLLC*

October 9, 2014

# Edison State Community College

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Federal Agency/Pass-through Agency Program Title	CFDA Number	Award Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster -			
Direct programs:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ 52,350
Federal Work-Study Program	84.033	N/A	92,200
Federal Pell Grant Program	84.063	N/A	4,576,553
Federal Direct Student Loans	84.268	N/A	<u>6,298,361</u>
Total Student Financial Assistance Cluster			11,019,464
U.S. Department of Health and Human Services			
Child Care and Development Fund Cluster -			
Passed through State of Ohio Department of Education:			
Child Care and Development Block Grant	93.575	403948	1,635
U.S. Department of Education			
Passed through State of Ohio Department of Education -			
Vocational Education	84.048	U.S.A.S. #524	66,424
Small Business Administration			
Passed through State of Ohio Development Services Agency -			
Small Business Development Center	59.037	N/A	<u>50,611</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 11,138,134</u></b>

# Edison State Community College

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## **Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2014**

### **Note - Basis of Presentation and Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Edison State Community College under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

# Edison State Community College

## Schedule of Findings and Questioned Costs Year Ended June 30, 2014

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee?  Yes  No

# Edison State Community College

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2014

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2014-001	<p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - The College is required to implement effective internal controls over the classification of net position between net investment in capital assets, restricted-expendable, restricted-nonexpendable, and unrestricted net position.</p> <p><b>Condition</b> - Net position related to receivables due from the federal government for student financial aid were originally classified as restricted-expendable.</p> <p><b>Context</b> - The total amount which was incorrectly classified was approximately \$1,350,000 and was discovered when completing the audit procedures for the year ended June 30, 2014.</p> <p><b>Cause</b> - The College was not classifying the net position in accordance with guidance provided by the Governmental Accounting Standards Board.</p> <p><b>Effect</b> - As a result of the issue, unrestricted net position was understated by approximately \$1,350,000. An audit adjustment was made to the financial statements to correct the error.</p> <p><b>Recommendation</b> - Management should review the net position classifications used and ensure net position balances are presented in accordance with guidance provided by the Governmental Accounting Standards Board.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b></p> <p>The issue noted by the auditors is accurate. The College has historically classified net position related to receivables due from the federal government for student financial aid as restricted-expendable, as these balances relate to federal grants, which are treated as restricted. Upon further consideration, while the awards are treated as grants, it was determined that any restrictions on the funds that remain as receivables at year end have been released. Therefore, the receivable balances should be reclassified as unrestricted.</p> <p>The College has reclassified approximately \$1,350,000 from restricted-expendable to unrestricted in the financial statements as of June 30, 2014. The College has also updated its reconciliation of net position balances such that receivables due from the federal government for student financial aid are now classified as unrestricted, thereby preventing this issue in future years.</p>

### Section III - Federal Program Audit Findings

None



# Dave Yost • Auditor of State

**EDISON STATE COMMUNITY COLLEGE**

**MIAMI COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 20, 2014**