

# **EDISON STATE COMMUNITY COLLEGE**

Financial Statements

June 30, 2016 and 2015

with Independent Auditors' Report





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Edison State Community College, Miami County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2015 through June 30, 2016. 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

October 27, 2016

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EDISON STATE COMMUNITY COLLEGE  
BOARD OF TRUSTEES AND ADMINISTRATIVE PERSONNEL  
June 30, 2016

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| <b><u>Board of Trustees</u></b> | <b><u>Title</u></b> | <b><u>Term of Office</u></b> |
|---------------------------------|---------------------|------------------------------|
| Mr. Darryl D. Mehaffie          | Chairman            | 2011-2017                    |
| Mr. Thomas P. Milligan          | Vice Chairman       | 2011-2017                    |
| Mr. Tony Wendeln                | Trustee             | 2011-2017                    |
| Mrs. Marvella Fletcher          | Trustee             | 2013-2019                    |
| Mr. Mark T. Hamler              | Trustee             | 2015-2021                    |
| Dr. Phillip E. Dubbs            | Trustee             | 2015-2021                    |
| Mrs. Tamara Baird Ganley        | Trustee             | 2015-2021                    |
| Mr. Gary V. Heitmeyer           | Trustee             | 2015-2021                    |

| <b><u>College Administration</u></b> | <b><u>Title</u></b>                                   |
|--------------------------------------|---|
| Dr. Doreen Larson                    | President   |
| Mr. Chris Spradlin                   | Provost   |
| Mr. John Shishoff                    | Vice President of Administration and Finance          |
| Mr. Rick Hanes                       | Vice President of Business and Community Partnerships |
| Mr. James Lehmkuhl                   | 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, 2015 to November 1, 2016.

**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 AUDITORS' REPORT

Board of Trustees  
Edison State Community College  
Piqua, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Edison State Community College (the "College"), a component unit of the State of Ohio, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### 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.

### Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the College, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Prior Period Financial Statements

The financial statements of the College as of June 30, 2015, were audited by other auditors whose report dated October 9, 2015, expressed unmodified opinions on those statements.

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## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-14) and the schedules of the College's proportionate share of the net pension liability and College contributions (page 39) 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of the Board of Trustees and Administrative Personnel and schedule of expenditures of federal awards required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal award 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.

The schedule of the Board of Trustees and Administrative Personnel has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2016 on our consideration of the 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 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 the College's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
October 13, 2016

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2016 and 2015

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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, 2016 and 2015. 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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, 2016, the College's revenue and other support exceeded expenses, creating an increase in net position of \$991,894. Revenue increased from fiscal year 2015 due to an increase in State funding and Capital Appropriations and operating expenses declined, as noted in the following analysis. In addition, the cash and short-term investment position of the College increased by \$1,446,013.

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2016 and 2015

**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 lower at June 30, 2015 than it was in the prior year. In fiscal year 2015, improvements resulting from increased state funding were offset by reduced enrollment and increased personnel costs resulting from a 34% increase in health insurance rates. Also during fiscal year 2015, the College was required to recognize its net pension liability for the first time and to more comprehensively measure the annual costs of pension benefits in accordance with GASB Statement No. 68. The College's financial position was stronger at June 30, 2016 than it was in the prior year. In fiscal year 2016, improvements resulting from cost containment were combined with increased state funding, support from the Foundation, and capital grants and appropriations.

The following is a summary of the major components of net position and operating results of the College as of and for the years ended June 30, 2016, 2015, and 2014:

|   | 2016         | 2015         | 2014          |
|---|--------------|--------------|---------------|
| Current assets                                | \$ 8,511,143 | \$ 7,580,506 | \$ 7,480,827  |
| Noncurrent assets                             |              |              |               |
| Capital assets - Net                          | 16,632,766   | 16,604,898   | 16,867,081    |
| Other   | 1,144,925    | 1,422,043    | 1,710,180     |
| Total assets                                  | 26,288,834   | 25,607,447   | 26,058,088    |
| Deferred outflows of resources                |              |              |               |
| Pension costs                                 | 2,416,068    | 1,002,088    | -             |
| Loss on bond refunding                        | 169,734      | 186,028      | -             |
| Total deferred outflows of resources          | 2,585,802    | 1,188,116    | -             |
| Current liabilities                           | 1,769,118    | 2,054,544    | 2,222,061     |
| Noncurrent liabilities                        | 17,739,341   | 16,102,528   | 3,105,398     |
| Total liabilities                             | 19,508,459   | 18,157,072   | 5,327,459     |
| Deferred inflows of resources - pension costs | 1,598,787    | 1,862,995    | -             |
| Net position                                  |              |              |               |
| Net investment in capital assets              | 14,273,562   | 14,035,315   | 14,077,624    |
| Restricted - expendable                       | 1,075,604    | 1,286,885    | 1,749,835     |
| Unrestricted                                  | (7,581,776)  | (8,546,704)  | 4,903,170     |
| Total net position                            | \$ 7,767,390 | \$ 6,775,496 | \$ 20,730,629 |

**Note:** June 30, 2014 amounts have not been restated to reflect the impact of GASB 68 because the information is not available to calculate the impact on the College's net position at that date.

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2016 and 2015

|  | Years Ended June 30 |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | 2016                | 2015                | 2014                |
| <b>Operating revenues</b>                                  |                     |                     |                     |
| Student tuition and fees                                   | \$ 7,612,401        | \$ 7,929,824        | \$ 8,707,865        |
| Less grants and scholarships                               | <u>(3,375,200)</u>  | <u>(4,021,868)</u>  | <u>(4,721,331)</u>  |
| Net student tuition and fees                               | 4,237,201           | 3,907,956           | 3,986,534           |
| Federal grants and contracts                               | 188,197             | 198,490             | 213,438             |
| State and local grants and contracts                       | 166,156             | 169,548             | 59,661              |
| Auxiliary activities                                       | 233,712             | 254,236             | 243,936             |
| Other operating revenues                                   | <u>129,483</u>      | <u>107,585</u>      | <u>154,326</u>      |
| Total operating revenues                                   | <u>4,954,749</u>    | <u>4,637,815</u>    | <u>4,657,895</u>    |
| <b>Operating expenses</b>                                  |                     |                     |                     |
| Educational and general instruction                        |                     |                     |                     |
| Instruction  | 6,243,399           | 6,451,172           | 6,246,817           |
| Public service   | 453,398             | 527,099             | 553,757             |
| Academic support   | 539,618             | 1,024,096           | 1,023,922           |
| Student services   | 1,839,201           | 2,112,952           | 1,836,506           |
| Institutional support                                      | 4,432,582           | 4,037,722           | 4,049,169           |
| Plant operations and maintenance                           | 1,353,317           | 1,403,770           | 1,500,192           |
| Depreciation   | 1,062,331           | 1,005,554           | 1,014,055           |
| Student aid  | 220,365             | 173,419             | 181,297             |
| Auxiliary enterprises - bookstore                          | <u>8,973</u>        | <u>8,489</u>        | <u>9,223</u>        |
| Total operating expenses                                   | <u>16,153,184</u>   | <u>16,744,273</u>   | <u>16,414,938</u>   |
| <b>Operating loss</b>                                      | <u>(11,198,435)</u> | <u>(12,106,458)</u> | <u>(11,757,043)</u> |
| <b>Nonoperating revenues (expenses) and other revenues</b> |                     |                     |                     |
| Federal grants and contracts                               | 3,259,814           | 3,900,506           | 4,585,924           |
| State appropriations                                       | 7,907,607           | 7,691,660           | 6,957,876           |
| Interest expense   | (91,878)            | (105,779)           | (149,624)           |
| Other nonoperating revenues                                | 243,150             | 197,847             | 266,209             |
| Capital grants   | 125,220             | 125,223             | 222,739             |
| Capital appropriations                                     | <u>746,416</u>      | <u>365,103</u>      | <u>452,063</u>      |
| Total nonoperating revenues and other revenues             | <u>12,190,329</u>   | <u>12,174,560</u>   | <u>12,335,187</u>   |
| <b>Change in net position</b>                              | <u>\$ 991,894</u>   | <u>\$ 68,102</u>    | <u>\$ 578,144</u>   |

**Note:** June 30, 2014 amounts have not been restated to reflect the impact of GASB 68 because the information is not available to calculate the impact on the College's pension expense for fiscal years prior to the fiscal year ended June 30, 2015.

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2016 and 2015

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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 2016 operating revenue:

- Gross student tuition and fees decreased by 4.0%, or \$317,423 due to decrease of traditional students of 10.6%. However, total enrollment for academic year 2015/2016 remained steady compared to the prior year as the number of College Credit Plus students increased by 28.3%. Net student tuition and fees increased by \$329,245, or 8.4%, 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 \$639,617, or 15.1% of net student tuition and fees. Note that decreases in indirect costs for Pell Grants are offset by similar decrease 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 2015 operating revenue:

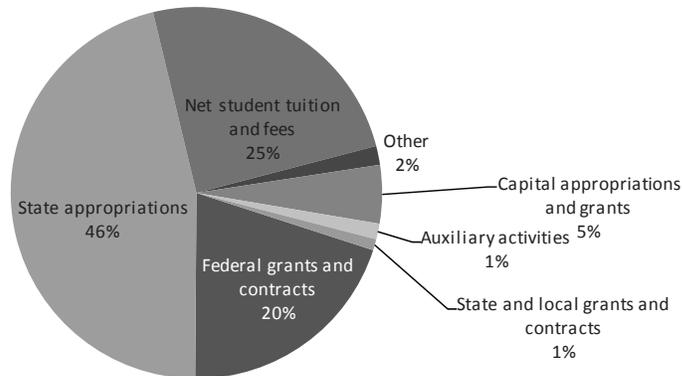
- Gross student tuition and fees decreased by 8.9%, or \$778,041, because academic year 2014/2015 enrollment was down by 8.9% as compared to the prior year. The enrollment decline was partially offset by an increase in tuition and fees of approximately \$3.33 per credit hour, or 2.4%. Net student tuition and fees decreased by \$78,578, or 2.0%, 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 \$682,722, or 17.5% 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.
- State and local grants and contracts increased 184.2%, or \$109,887 compared to fiscal year 2014 due primarily to two new grants recognized during fiscal year 2015. Grant revenue totaling \$80,245 and \$43,375 from the Ohio Means Internships & Co-Ops Program and the Greater Northwest Ohio Tech Prep Consortium, respectively, were recognized during fiscal year 2015 whereas these two programs had little to no activity during fiscal year 2014. Increases resulting from these new programs were offset by a decrease in funding for the Small Business Development Center of \$16,787 as a result of vacancy in the director's position for one quarter of the fiscal year.

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2016 and 2015

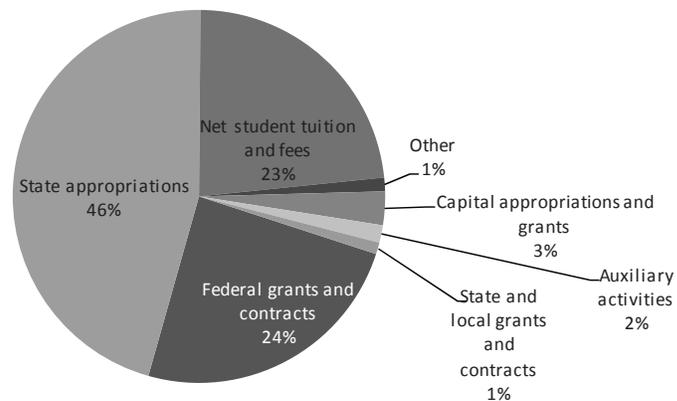
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The following is a graphic illustration of total revenue by source:

### 2016 Sources of Revenues



### 2015 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 2016 expenses were affected by the following:

- Instructional spending decreased \$207,773, or 3.2%, primarily because lower enrollment of traditional students enabled the college to reduce the number of course sections offered, thus reducing the expense of part-time faculty. In addition, there was a campus wide reduction in force in the spring of 2015 which reduced personnel costs. This reduction in force impacted all departments campus-wide, with the largest dollar decrease occurring in the departments in which personnel costs constitute the largest portion of overall costs.
- Academic support spending decreased by \$484,478, or 47.3%, primarily because there was a campus wide reduction in force in the spring of 2015 which reduced personnel costs. This reduction in force impacted all departments campus-wide, with the largest dollar decrease occurring in the departments in which personnel costs constitute the largest portion of overall costs.

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2016 and 2015

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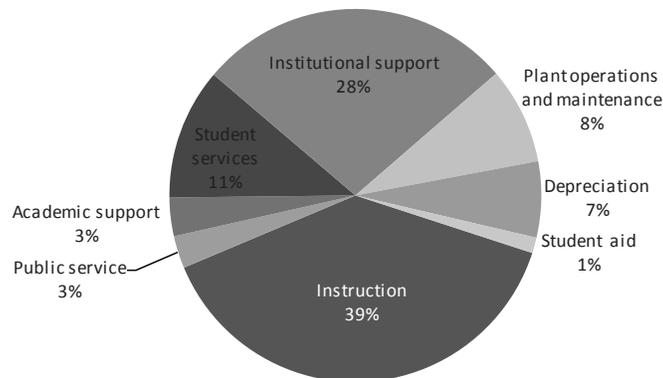
- Student services spending decreased \$273,751, or 13.0%, primarily because there was a campus wide reduction in force in the spring of 2015 which reduced personnel costs. This reduction in force impacted all departments campus-wide, with the largest dollar decrease occurring in the departments in which personnel costs constitute the largest portion of overall costs.
- Institutional support spending increased \$394,860, or 9.8%, primarily due to the College incurring the bookstore charges and fees corresponding to its College Credit Plus students.

Fiscal year 2015 expenses were affected by the following:

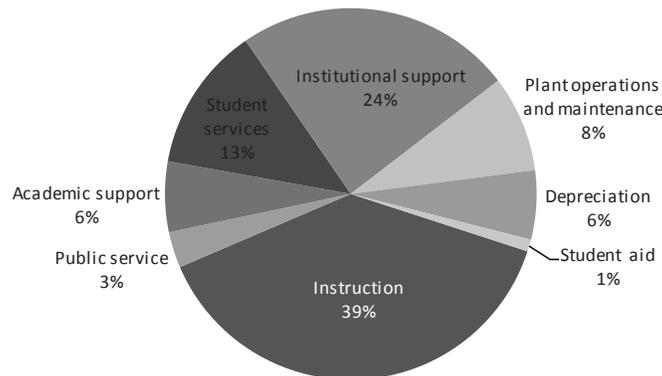
- Instructional spending increased \$204,355, or 3.3%, primarily because due to increased personnel costs. During fiscal year 2015, the College recognized a full year of campus wide pay increases that were only implemented for a half year in fiscal year 2014. In addition, the College experienced a significant 34% increase in health insurance costs starting at the beginning of fiscal year 2015. Therefore, while savings were recognized by reducing course offerings due to decreased enrollment, these savings were more than offset by increased personnel costs.
- Student services spending increased \$276,446, or 15.1%, due primarily to increased personnel costs as discussed above. These increases in personnel costs impacted all departments campus-wide, with the largest dollar increases occurring in the departments in which personnel costs constitute the largest portion of overall costs.

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

### 2016 Sources of Expenses



### 2015 Sources of Expenses



EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2016 and 2015

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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 2016 nonoperating revenues and other changes were significantly affected by the following factors:

- Federal grants and contracts were \$640,692, or 16.4%, lower than the prior year due to a decrease in Federal Pell Grant awards during fiscal year 2016.
- State appropriations increased \$215,947, or 2.8%, from fiscal year 2015 to fiscal year 2016 due to an increase in its share of State of Ohio funding designated for community colleges as the College continued its strong focus on student success and completion.
- Capital appropriations from the State of Ohio increased \$381,313, or 104.4%, due to the completion of several projects. Capital appropriations were used to replace the roof on the West Hall and to resurface various parking lots and the main entrance to the campus.

Fiscal year 2015 nonoperating revenues and other changes were significantly affected by the following factors:

- Federal grants and contracts were \$685,418, or 15.0%, lower than the prior year primarily due to a decrease in Federal Pell Grant awards during fiscal year 2015. Pell Grants decreased \$683,962, or 14.9%, from the prior year.
- State appropriations increased \$733,784, or 10.6%, from fiscal year 2014 to fiscal year 2015 due to a change in the State of Ohio funding model from a model based 50% on enrollment and 50% on student success and course completion, to a model based 100% 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.

### **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

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2016 and 2015

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**Cash Flows for the Years Ended June 30, 2016, 2015, and 2014**

|  | 2016           | 2015            | 2014            |
|--|----------------|-----------------|-----------------|
| Cash (used in) provided by:                          |                |                 |                 |
| Operating activities                                 | \$ (9,839,731) | \$ (11,701,470) | \$ (10,356,060) |
| Noncapital financing activities                      | 11,443,961     | 12,717,608      | 10,677,861      |
| Capital and related financing activities             | (461,867)      | (616,149)       | (392,980)       |
| Investing activities                                 | 298,921        | (487,334)       | (1,246,680)     |
| Net (decrease) increase in cash and cash equivalents | 1,441,284      | (87,345)        | (1,317,859)     |
| Cash and cash equivalents - beginning of year        | 1,906,630      | 1,993,975       | 3,311,834       |
| Cash and cash equivalents - end of year              | \$ 3,347,914   | \$ 1,906,630    | \$ 1,993,975    |

The College's cash position increased by \$1,441,284 in fiscal year 2016. The cash balance increased primarily due to fluctuations in short term, operational asset and liability accounts combined with the positive change in net position for the year.

The College's cash position decreased by \$87,345 in fiscal year 2015. The cash balance decreased primarily due to fluctuations in short term, operational asset and liability accounts.

**Capital Assets**

As of June 30, 2016, the College had approximately \$33.9 million in capital assets, less accumulated depreciation of \$17.3 million, for a net of \$16.6 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, 2016, 2015, and 2014 is as follows:

|                               | 2016          | 2015          | 2014          |
|-------------------------------|---------------|---------------|---------------|
| Land and land improvements    | \$ 1,297,153  | \$ 1,018,399  | \$ 739,258    |
| Building and improvements     | 5,578,671     | 5,600,932     | 6,034,922     |
| Student conference center     | 2,712,767     | 2,879,098     | 3,046,104     |
| Center for Excellence         | 5,679,659     | 5,838,292     | 5,996,925     |
| Equipment                     | 908,465       | 848,524       | 957,756       |
| Internally developed software | 170,291       | 215,702       | -             |
| Construction in progress      | 285,760       | 203,951       | 92,116        |
| Total                         | \$ 16,632,766 | \$ 16,604,898 | \$ 16,867,081 |

### **Net Pension Liability**

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the College is required to recognize its proportionate share of the net pension liability and to more comprehensively measure the annual costs of pension benefits. Due to a lack of historical information available from the pension plans in which the College's employees participate, the Statements of Net Position at June 30, 2014, and the Statement of Changes in Net Position for the year then ended could not be revised for GASB 68 implementation. As such, as presented, 2014 does not reflect changes to comply with GASB Statement No. 68. At June 30, 2016, the College recognized a net pension liability of \$14,865,191. In addition, the College recognized deferred inflows of resources of \$1,598,787 and deferred outflows of resources of \$2,416,068 at June 30, 2016. See Note 8 to the financial statements for more detailed information on pensions.

### **Long-Term Debt**

The College currently has series 2014 refunding bonds that bear interest rates from 1% to 3.5% and mature through fiscal year 2027. Scheduled interest and principal payments have been made on the bonds. The College's bonds are currently rated "Aa2" by Moody's through the State Credit Enhancement Program.

For more detailed information on current outstanding debt and the refunding of the aforementioned bonds in fiscal year 2016, 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. Additionally, as the economy has improved, older students, have rejoined the work force and are taking fewer classes, while the College Credit Plus (CC+) program has increased the number of high school students taking classes for college credit.
  - **Economic:** Enrollment increased dramatically during the recession, but has decreased as the economy and job availability has improved. Additionally, as the number of high school graduates, "traditional" students paying at the normal tuition rate, has declined, there has been an increase in the number of current high school students taking college classes in the high school at a much reduced reimbursement rate.
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EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2016 and 2015

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- 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 FY15. Due to the College's focus on increasing student success and completion, Edison has received increases in SSI funding under the new formula each year since the inception of the new model due to our emphasis on student completion and success. 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 completion and success. For FY17, 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 emphasized operational efficiencies through shared services and other collaborative arrangements. Edison currently participates in a collaborative insurance buying program and is represented on the Board of Regents' Efficiency Committee. In addition, Edison has taken action to "right size" the college in light of enrollment trends, reducing the FY16 budget by \$1.3 Million. This baseline continues in FY17, while we look for additional reductions in order to maintain the fiscal integrity of the institution.
- 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 policies and procedures in place and we continue to review them in light of new information and requirements. We have also added active shooter training, increased our security staff, and invested more than \$1 million in capital security projects, including upgraded one-lock systems and new and better security cameras. Edison is represented on the Board of Regents Safety Committee.

Edison Community College also has several opportunities that should positively 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.
- Increased emphasis on grant and other funding sources.

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2016 and 2015

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Edison's future forecast.

- **Fiscal Year 2017:** While we expect net position to increase slightly during FY17, we expect the College's financial performance to mirror FY16. The composition of our student body changed due to the implementation of the State of Ohio's College Credit Plus (CC+) program in FY16. This program increased the number of high school students taking college classes, especially classes taught in the high school. Under the CC+ model, the College is reimbursed by the State for students participating in the program based on a tiered rate schedule. The College will receive \$166 per credit hour for students taking classes on the College's campus, \$83 per credit hour if the student is taking a College course on the high school's campus with an instructor provided by the College, and \$41.50 per credit hour if the student is taking a College course on the high school's campus taught by a certified high school instructor. The vast majority of the CC+ students are in the last category. The CC+ reimbursement received is less than the College's standard tuition rate of \$140.62, plus applicable fees. (All other fees, such as lab fees and security fees, must be waived for students participating in the program.) Additionally, we will pay for books for CC+ students taking classes on campus to compensate for the difference between the State payment rate and our tuition rate.

The 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 FY16 to FY17. Because the State of Ohio legislated a tuition freeze for FY17 and FY18, Edison's tuition rates for our traditional students will remain the same in FY17.

To offset decreases in revenues and increasing costs, the college underwent a reduction in force and a decrease in other operational costs in order to maintain the fiscal integrity of the college in future years. This resulted in a decrease of \$1.3 million in the FY16 operating budget. This baseline has been maintained in the FY17 budget.

- **Fiscal Year 2018:** Forecasting an additional year in advance is always difficult; however, the impacts of several policy and economic shifts continued to be considered as we plan for FY18. First and foremost, the College will continue its efforts to maintain enrollment, while not sacrificing our efforts to ensure student completion and success. The SSI funding model is based on the average results from the previous three fiscal years; therefore, we do not expect a significant shift in state funding from FY17 to FY18. As noted above, the State of Ohio's tuition freeze will remain in effect for FY18. We also expect some changes to the CC+ program in FY18 as the program matures. Finally, we will maintain the reduced budget baseline in order to insure the fiscal integrity of the College.

EDISON STATE COMMUNITY COLLEGE  
STATEMENTS OF NET POSITION  
Years Ended June 30, 2016 and 2015

|                                       | College<br>2016     | College<br>2015     | College<br>Related<br>Foundation<br>2016 | College<br>Related<br>Foundation<br>2015 |
|---------------------------------------|---------------------|---------------------|--|--|
| <b>Assets</b>                         |                     |                     |  |  |
| <b>Current Assets</b>                 |                     |                     |  |  |
| Cash and cash equivalents             | \$ 3,347,914        | \$ 1,906,630        | \$ 79,563                                | \$ 56,285                                |
| Investments                           | 3,025,269           | 3,020,540           | -  | -  |
| Accounts and pledges receivable (net) | 1,890,360           | 2,313,223           | 2,884                                    | 4,202                                    |
| Prepaid expenses and other            | 243,240             | 332,354             | 1,644                                    | 3,356                                    |
| Inventories                           | 4,360               | 7,759               | -  | -  |
| Total current assets                  | <u>8,511,143</u>    | <u>7,580,506</u>    | <u>84,091</u>                            | <u>63,843</u>                            |
| <b>Noncurrent Assets</b>              |                     |                     |  |  |
| Restricted investments                | 1,144,925           | 1,422,043           | -  | -  |
| Investments                           | -                   | -                   | 1,736,613                                | 1,992,342                                |
| Capital assets (net)                  | <u>16,632,766</u>   | <u>16,604,898</u>   | <u>-</u>                                 | <u>-</u>                                 |
| Total noncurrent assets               | <u>17,777,691</u>   | <u>18,026,941</u>   | <u>1,736,613</u>                         | <u>1,992,342</u>                         |
| Total assets                          | <u>26,288,834</u>   | <u>25,607,447</u>   | <u>1,820,704</u>                         | <u>2,056,185</u>                         |
| <b>Deferred Outflows of Resources</b> |                     |                     |  |  |
| Pension                               | 2,416,068           | 1,002,088           | -  | -  |
| Loss on bond refunding                | <u>169,734</u>      | <u>186,028</u>      | <u>-</u>                                 | <u>-</u>                                 |
|                                       | <u>2,585,802</u>    | <u>1,188,116</u>    | <u>-</u>                                 | <u>-</u>                                 |
| <b>Liabilities</b>                    |                     |                     |  |  |
| <b>Current Liabilities</b>            |                     |                     |  |  |
| Accounts payable and accruals         | 286,275             | 435,891             | 37,787                                   | 7,441                                    |
| Accrued salaries, wages, and benefits | 642,373             | 751,194             | -  | -  |
| Unearned revenues                     | 578,954             | 614,961             | -  | -  |
| Capital lease obligation, current     | 36,516              | 37,498              | -  | -  |
| Long-term debt, current               | <u>225,000</u>      | <u>215,000</u>      | <u>-</u>                                 | <u>-</u>                                 |
| Total current liabilities             | <u>1,769,118</u>    | <u>2,054,544</u>    | <u>37,787</u>                            | <u>7,441</u>                             |
| <b>Noncurrent Liabilities</b>         |                     |                     |  |  |
| Accrued compensated absences          | 179,186             | 194,273             | -  | -  |
| Net pension liability                 | 14,865,191          | 13,017,825          | -  | -  |
| Capital lease obligation              | 37,893              | -                   | -  | -  |
| Long-term debt                        | <u>2,657,071</u>    | <u>2,890,430</u>    | <u>-</u>                                 | <u>-</u>                                 |
| Total noncurrent liabilities          | <u>17,739,341</u>   | <u>16,102,528</u>   | <u>-</u>                                 | <u>-</u>                                 |
| Total liabilities                     | <u>19,508,459</u>   | <u>18,157,072</u>   | <u>37,787</u>                            | <u>7,441</u>                             |
| <b>Deferred Inflows of Resources</b>  |                     |                     |  |  |
| Pension                               | <u>1,598,787</u>    | <u>1,862,995</u>    | <u>-</u>                                 | <u>-</u>                                 |
| <b>Net Position</b>                   |                     |                     |  |  |
| Net investment in capital assets      | 14,273,562          | 14,035,315          | -  | -  |
| Restricted - expendable               | 1,075,604           | 1,286,885           | 244,348                                  | 319,138                                  |
| Restricted - nonexpendable            | -                   | -                   | 133,888                                  | 143,888                                  |
| Unrestricted                          | <u>(7,581,776)</u>  | <u>(8,546,704)</u>  | <u>1,404,681</u>                         | <u>1,585,718</u>                         |
| Total net position                    | <u>\$ 7,767,390</u> | <u>\$ 6,775,496</u> | <u>\$ 1,782,917</u>                      | <u>\$ 2,048,744</u>                      |

See Notes to Financial Statements

EDISON STATE COMMUNITY COLLEGE  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
Years Ended June 30, 2016 and 2015

|  | College<br>2016     | College<br>2015     | College<br>Related<br>Foundation<br>2016 | College<br>Related<br>Foundation<br>2015 |
|--|---------------------|---------------------|--|--|
| <b>Operating revenues</b>  |                     |                     |  |  |
| Student tuition and fees   | \$ 7,612,401        | \$ 7,929,824        | \$ -                                     | \$ -                                     |
| Less grants and scholarships   | (3,375,200)         | (4,021,868)         | -  | -  |
| Net student tuition and fees   | 4,237,201           | 3,907,956           | -  | -  |
| Federal grants and contracts   | 188,197             | 198,490             | -  | -  |
| State and local grants and contracts   | 166,156             | 169,548             | -  | -  |
| Auxiliary enterprises - bookstore  | 233,712             | 254,236             | -  | -  |
| Gifts  | -                   | -                   | 209,893                                  | 255,387                                  |
| Other operating revenue  | 129,483             | 107,585             | -  | -  |
| Total operating revenues   | <u>4,954,749</u>    | <u>4,637,815</u>    | <u>209,893</u>                           | <u>255,387</u>                           |
| <b>Operating expenses</b>  |                     |                     |  |  |
| Instruction  | 6,243,399           | 6,451,172           | -  | -  |
| Public service   | 453,398             | 527,099             | -  | -  |
| Academic support   | 539,618             | 1,024,096           | -  | -  |
| Student services   | 1,839,201           | 2,112,952           | -  | -  |
| Institutional support  | 4,432,582           | 4,037,722           | 415,968                                  | 321,075                                  |
| Plant operations and maintenance   | 1,353,317           | 1,403,770           | -  | -  |
| Depreciation and amortization  | 1,062,331           | 1,005,554           | -  | -  |
| Student aid  | 220,365             | 173,419             | -  | -  |
| Auxiliary enterprises  | 8,973               | 8,489               | -  | -  |
| Total operating expenses   | <u>16,153,184</u>   | <u>16,744,273</u>   | <u>415,968</u>                           | <u>321,075</u>                           |
| Operating (loss) income  | <u>(11,198,435)</u> | <u>(12,106,458)</u> | <u>(206,075)</u>                         | <u>(65,688)</u>                          |
| <b>Nonoperating revenues (expenses)</b>  |                     |                     |  |  |
| Federal grants and contracts   | 3,259,814           | 3,900,506           | -  | -  |
| State appropriations   | 7,907,607           | 7,691,660           | -  | -  |
| Gifts - including \$208,502 and \$155,728 from<br>Foundation for 2016 and 2015, respectively | 216,618             | 156,998             | -  | -  |
| Investment income, net of expense  | 26,532              | 40,849              | 62,284                                   | 79,076                                   |
| Interest expense   | (91,878)            | (105,779)           | -  | -  |
| Transfer from Edison Foundation  | -                   | -                   | (122,036)                                | (7,050)                                  |
| Total nonoperating revenues (expenses)   | <u>11,318,693</u>   | <u>11,684,234</u>   | <u>(59,752)</u>                          | <u>72,026</u>                            |
| Income (loss) before other changes   | <u>120,258</u>      | <u>(422,224)</u>    | <u>(265,827)</u>                         | <u>6,338</u>                             |
| <b>Other changes</b>   |                     |                     |  |  |
| Capital grants   | 125,220             | 125,223             | -  | -  |
| Capital appropriation  | 746,416             | 365,103             | -  | -  |
| Total other changes  | <u>871,636</u>      | <u>490,326</u>      | <u>-</u>                                 | <u>-</u>                                 |
| Change in Net Position   | 991,894             | 68,102              | (265,827)                                | 6,338                                    |
| Net position at beginning of year  | <u>6,775,496</u>    | <u>6,707,394</u>    | <u>2,048,744</u>                         | <u>2,042,406</u>                         |
| Net position at end of year  | <u>\$ 7,767,390</u> | <u>\$ 6,775,496</u> | <u>\$ 1,782,917</u>                      | <u>\$ 2,048,744</u>                      |

See Notes to Financial Statements

EDISON STATE COMMUNITY COLLEGE  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2016 and 2015

|   | 2016                | 2015                |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                                       |                     |                     |
| Student tuition and fees  | \$ 4,671,292        | \$ 3,633,884        |
| Grants and contracts  | 247,196             | 394,646             |
| Payments to vendors and employees   | (15,121,414)        | (16,091,821)        |
| Auxiliary enterprises   | 233,712             | 254,236             |
| Other receipts  | 129,483             | 107,585             |
| Net cash used in operating activities   | (9,839,731)         | (11,701,470)        |
| <b>Cash flows from noncapital financing activities</b>                            |                     |                     |
| State appropriations  | 7,907,607           | 7,691,660           |
| Federal grants and contracts  | 3,319,736           | 4,868,950           |
| Gifts   | 216,618             | 156,998             |
| Net cash from noncapital financing activities                                     | 11,443,961          | 12,717,608          |
| <b>Cash flows from capital and related financing activities</b>                   |                     |                     |
| Capital grants  | 125,220             | 125,223             |
| Purchases of capital assets   | (214,788)           | (360,113)           |
| Interest paid on outstanding debt   | (84,610)            | (104,058)           |
| Principal paid on outstanding debt  | (287,689)           | (277,201)           |
| Net cash used in capital and related financing activities                         | (461,867)           | (616,149)           |
| <b>Cash flows from investing activities</b>                                       |                     |                     |
| Proceeds from maturities of investments   | 9,238,337           | 2,119,293           |
| Purchase of investments   | (8,939,572)         | (2,607,101)         |
| Interest on investments   | 156                 | 474                 |
| Net cash from (used) in investing activities                                      | 298,921             | (487,334)           |
| Net increase (decrease) in cash and cash equivalents                              | 1,441,284           | (87,345)            |
| Cash and cash equivalents, beginning of year                                      | 1,906,630           | 1,993,975           |
| <b>Cash and cash equivalents, end of year</b>                                     | <b>\$ 3,347,914</b> | <b>\$ 1,906,630</b> |
| <b>Reconciliation of operating loss to net cash used in operating activities:</b> |                     |                     |
| Operating loss  | \$ (11,198,435)     | \$ (12,106,458)     |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                     |                     |
| Depreciation  | 1,042,936           | 987,389             |
| Changes in assets, deferred outflows, liabilities and deferred inflows:           |                     |                     |
| Accounts receivable   | 362,941             | (173,597)           |
| Inventories   | 3,399               | 1,158               |
| Prepaid expenses and other  | 89,114              | (166,699)           |
| Deferred outflows of resources  | (1,413,980)         | (1,201,695)         |
| Accounts payable and accruals   | (148,949)           | (71,976)            |
| Accrued salaries, wages, and benefits   | (123,908)           | (45,716)            |
| Refunding bond premium  | -                   | 102,396             |
| Advance refunding of bonds  | -                   | 190,000             |
| Net pension liability   | 1,847,366           | (1,005,410)         |
| Deferred inflows of resources   | (264,208)           | 1,862,995           |
| Unearned revenues   | (36,007)            | (73,857)            |
| Net cash used in operating activities   | \$ (9,839,731)      | \$ (11,701,470)     |

See Notes to Financial Statements

EDISON STATE COMMUNITY COLLEGE  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2016 and 2015

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

During the years ended June 30, 2016 and 2015, the College acquired \$746,416 and \$365,103, respectively, 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.

During the year ended June 30, 2016, the College acquired \$109,600 in capital assets that were financed with a long-term capital lease. The investment in these assets did not result in a cash outflow to the College.

During the year ended June 30, 2015, the College advance-refunded certain Series 2006 General Receipts Bonds, resulting in \$190,000 in new bonds issued. The proceeds from these bonds were used to pay transaction costs resulting from the refunding and to establish an escrow account for defeasing outstanding bonds and did not result in a cash inflow to the College.

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

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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.

Operating Versus Nonoperating Revenues and Expenses: The College defines operating activities as reported on the statements of revenues, expenses, and changes in net position 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 revenues, 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.

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

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

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 statements of net position.

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 2014 bonds. These funds were raised by the Edison Foundation and transferred to the College to be held until used for debt service. All committed support raised through the Capital Campaign have been received and remitted to the College.

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      |
| Internally developed software | 5 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.

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.

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

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

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System and State Teachers Retirement System of Ohio pension plans (“OPERS” and “STRS”, respectively) and additions to/deductions from OPERS and STRS fiduciary net position have been determined on the same basis as they are reported by OPERS and STRS. OPERS and STRS use the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

Adoption of New Standard: For the year ended June 30, 2016, the College retrospectively applied Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

Upcoming Accounting Pronouncements: In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the College to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the School Employees Retirement System (SERS) or State Teachers Retirement System (STRS). The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the College’s financial statements for the year ending June 30, 2018.

**NOTE 2 - CASH AND INVESTMENTS**

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

Cash and Cash Equivalents: At June 30, 2016 and 2015, the carrying amount of the College’s cash and cash equivalents was \$3,347,914 and \$1,906,630, respectively, (included in cash and cash equivalents in the statements of net position) and the bank balances were \$3,176,400 and \$1,729,350, respectively, that are placed with federally insured banks. The remaining balances of \$427,542 and \$387,317 at June 30, 2016 and 2015, respectively, 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.

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

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

Also included in cash and cash equivalents are \$12,286 and \$12,249 at June 30, 2016 and 2015, 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, 2016 and 2015. STAR Ohio has a AAAM rating.

Investments: Investments are stated at their fair value of \$4,170,194 and \$4,442,583 at June 30, 2016 and 2015, respectively, and are invested in certificates of deposit covered by federal depository insurance as well as a money market fund which was rated AAAM by Standard and Poors.

The fair value and cost of deposits and investments, by type, at June 30, 2016 and 2015 are as follows:

|                         | 2016         | 2015         |
|-------------------------|--------------|--------------|
| Cash                    | \$ 3,335,628 | \$ 1,894,381 |
| STAR Ohio               | 12,286       | 12,249       |
| Certificates of deposit | 1,389,910    |              |
| Money Market Fund       | 2,780,284    | 4,442,583    |
| Total                   | \$ 7,518,108 | \$ 6,349,213 |

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 College'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 College's assets measured at fair value on a recurring basis at June 30, 2016 and 2015 and the valuation techniques used by the College 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 College 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 THE FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

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

|         |                         | Fair Value Measurements at June 30, 2016                                   |   |  |
|---------|-------------------------|--|---|--|
|         |                         | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Assets: | Certificates of Deposit | \$ 1,389,910   | \$ -  | \$ -   |
|         | Money Market Fund       | 2,780,284  | -   | -  |
|         | Total                   | \$ 4,170,194   | \$ -  | \$ -   |

|         |                         | Fair Value Measurements at June 30, 2015                                   |   |  |
|---------|-------------------------|--|---|--|
|         |                         | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Assets: | Certificates of Deposit | \$ 2,670,873   | \$ -  | \$ -   |
|         | Money Market Fund       | 1,771,710  | -   | -  |
|         | Total                   | \$ 4,442,583   | \$ -  | \$ -   |

Net realized and unrealized (losses) gains on investments were \$25,532 and \$40,849 for the years ended June 30, 2016 and 2015, respectively. There were no capital gains distributions in either year.

**NOTE 3 - ACCOUNTS RECEIVABLE**

Receivables at June 30, 2016 and 2015 consist of billings for student fees and receivables arising from grants and are summarized as follows:

|   | 2016         | 2015         |
|---|--------------|--------------|
| Student charges                           | \$ 1,017,637 | \$ 1,065,603 |
| Post-secondary enrollment options program | 1,206,390    | 1,583,507    |
| Federal grants and contracts              | 339,505      | 397,184      |
| Other                                     | 75,251       | 186,946      |
| Allowance for doubtful accounts           | (748,423)    | (920,017)    |
| Total                                     | \$ 1,890,360 | \$ 2,313,223 |

(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

**NOTE 4 - CAPITAL ASSETS**

The following is a summary of changes in the capital assets and related accumulated depreciation during the 2016 and 2015 fiscal years:

|                                | Balance<br>June 30,<br>2015 | Additions         | Retirements/<br>Completed CIP | Balance<br>June 30,<br>2016 |
|--------------------------------|-----------------------------|-------------------|-------------------------------|-----------------------------|
| Cost:                          |                             |                   |                               |                             |
| Land                           | \$ 688,414                  | \$ -              | \$ -                          | \$ 688,414                  |
| Land improvements              | 912,761                     | 306,791           | -                             | 1,219,552                   |
| Buildings and improvements     | 13,990,141                  | 425,896           | -                             | 14,416,037                  |
| Student conference center      | 6,208,972                   | -                 | (5,985)                       | 6,202,987                   |
| Center for Excellence          | 7,138,503                   | -                 | -                             | 7,138,503                   |
| Equipment                      | 3,905,278                   | 256,517           | (409,177)                     | 3,752,618                   |
| Internally developed software  | 227,055                     |                   |                               | 227,055                     |
| Construction in progress       | 203,951                     | 271,480           | (189,671)                     | 285,760                     |
| Total                          | <u>33,275,075</u>           | <u>1,260,684</u>  | <u>(604,833)</u>              | <u>33,930,926</u>           |
| Less accumulated depreciation: |                             |                   |                               |                             |
| Land improvements              | 582,776                     | 28,037            | -                             | 610,813                     |
| Buildings and improvements     | 8,389,209                   | 448,157           | -                             | 8,837,366                   |
| Student conference center      | 3,329,874                   | 166,231           | (5,885)                       | 3,490,220                   |
| Center for Excellence          | 1,300,211                   | 158,633           | -                             | 1,458,844                   |
| Equipment                      | 3,056,754                   | 196,467           | (409,068)                     | 2,844,153                   |
| Internally developed software  | 11,353                      | 45,411            | -                             | 56,764                      |
| Total                          | <u>16,670,177</u>           | <u>1,042,936</u>  | <u>(414,953)</u>              | <u>17,298,160</u>           |
| Capital assets - Net           | <u>\$ 16,604,898</u>        | <u>\$ 217,748</u> | <u>\$ (189,880)</u>           | <u>\$ 16,632,766</u>        |

Construction in progress represents the cost of work performed on the College's new security cameras, electronic locks, and various room renovations through June 30, 2016, including amounts invoiced but not yet paid. Remaining commitments for work yet to be completed totaled \$150,734 at June 30, 2016.

(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

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

|                                       | Balance<br>June 30,<br>2014 | Additions           | Retirements/<br>Completed CIP | Balance<br>June 30,<br>2015 |
|---------------------------------------|-----------------------------|---------------------|-------------------------------|-----------------------------|
| <b>Cost:</b>                          |                             |                     |                               |                             |
| Land                                  | \$ 688,414                  | \$ -                | \$ -                          | \$ 688,414                  |
| Land improvements                     | 618,461                     | 202,184             | 92,116                        | 912,761                     |
| Buildings and improvements            | 13,990,141                  | -                   | -                             | 13,990,141                  |
| Student conference center             | 6,208,972                   | -                   | -                             | 6,208,972                   |
| Center for Excellence                 | 7,138,503                   | -                   | -                             | 7,138,503                   |
| Equipment                             | 3,830,262                   | 92,016              | (17,000)                      | 3,905,278                   |
| Internally developed software         | -                           | 227,055             | -                             | 227,055                     |
| Construction in progress              | 92,116                      | 203,951             | (92,116)                      | 203,951                     |
| Total                                 | <u>32,566,869</u>           | <u>725,206</u>      | <u>(17,000)</u>               | <u>33,275,075</u>           |
| <b>Less accumulated depreciation:</b> |                             |                     |                               |                             |
| Land improvements                     | 567,617                     | 15,159              | -                             | 582,776                     |
| Buildings and improvements            | 7,955,219                   | 433,990             | -                             | 8,389,209                   |
| Student conference center             | 3,162,868                   | 167,006             | -                             | 3,329,874                   |
| Center for Excellence                 | 1,141,578                   | 158,633             | -                             | 1,300,211                   |
| Equipment                             | 2,872,506                   | 201,248             | (17,000)                      | 3,056,754                   |
| Internally developed software         | -                           | 11,353              | -                             | 11,353                      |
| Total                                 | <u>15,699,788</u>           | <u>987,389</u>      | <u>(17,000)</u>               | <u>16,670,177</u>           |
| Capital assets - Net                  | <u>\$ 16,867,081</u>        | <u>\$ (262,183)</u> | <u>\$ -</u>                   | <u>\$ 16,604,898</u>        |

Construction in progress represents the cost of work performed on the College's new West Hall Roof, security cameras, parking lot resurfacing and various room renovations through June 30, 2015, including amounts invoiced but not yet paid. Remaining commitments for work yet to be completed totaled \$470,150 at June 30, 2015.

**NOTE 5 - NONCURRENT LIABILITIES**

Noncurrent liabilities as of June 30, 2016 and 2015 are summarized as follows:

|                          | 2016                 |                     |                   |                      |                    |                       |
|--------------------------|----------------------|---------------------|-------------------|----------------------|--------------------|-----------------------|
|                          | Beginning<br>Balance | Additions           | Reductions        | Ending<br>Balance    | Current<br>Portion | Noncurrent<br>Portion |
| Bond obligations         | \$ 3,010,000         | \$ -                | \$ 215,000        | \$ 2,795,000         | \$ 225,000         | \$ 2,570,000          |
| Unamortized bond premium | 95,430               | -                   | 8,359             | 87,071               | -                  | 87,071                |
| Capital lease obligation | 37,498               | 109,600             | 72,689            | 74,409               | 36,516             | 37,893                |
| Total                    | <u>3,142,928</u>     | <u>109,600</u>      | <u>296,048</u>    | <u>2,956,480</u>     | <u>261,516</u>     | <u>2,694,964</u>      |
| Net pension liability    | 13,017,825           | 1,847,366           | -                 | 14,865,191           | -                  | 14,865,191            |
| Compensated absences     | 409,568              | -                   | 40,895            | 368,673              | 189,487            | 179,186               |
| Total                    | <u>\$ 16,570,321</u> | <u>\$ 1,956,966</u> | <u>\$ 336,943</u> | <u>\$ 18,190,344</u> | <u>\$ 451,003</u>  | <u>\$ 17,739,341</u>  |

(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

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

|                          | 2015                 |                   |                     |                      |                    |                       |
|--------------------------|----------------------|-------------------|---------------------|----------------------|--------------------|-----------------------|
|                          | Beginning<br>Balance | Additions         | Reductions          | Ending<br>Balance    | Current<br>Portion | Noncurrent<br>Portion |
| Bond obligations         | \$ 3,025,000         | \$ 190,000        | \$ 205,000          | \$ 3,010,000         | \$ 215,000         | \$ 2,795,000          |
| Unamortized bond premium | -                    | 102,396           | 6,966               | 95,430               | -                  | 95,430                |
| Capital lease obligation | 109,699              | -                 | 72,201              | 37,498               | 37,498             | -                     |
| Total                    | 3,134,699            | 292,396           | 284,167             | 3,142,928            | 252,498            | 2,890,430             |
| Net pension liability    | 14,778,391           | -                 | 1,760,566           | 13,017,825           | -                  | 13,017,825            |
| Compensated absences     | 485,748              | -                 | 76,180              | 409,568              | 215,295            | 194,273               |
| Total                    | <u>\$ 18,398,838</u> | <u>\$ 292,396</u> | <u>\$ 2,120,913</u> | <u>\$ 16,570,321</u> | <u>\$ 467,793</u>  | <u>\$ 16,102,528</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.

In September 2014, the College issued \$2,860,000 of General Receipts Refunding Bonds, Series 2014 with an average interest rate of 2.37 percent, a portion of which was used to advance refund \$2,670,000 outstanding General Receipts Bonds, Series 2006 with an average interest rate of 4.75 percent. The net proceeds of \$82,510 were used to pay issuance costs and \$2,906,907 was deposited with the trustee to pay principal and interest on the Series 2006 bonds when called for redemption on June 1, 2016. The advance refunding resulted in an economic gain with a net present value of \$144,745 because total debt service payments decreased by \$158,853.

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 fiscal year 2016.

The College entered into a capital lease during the year ended June 30, 2016 to acquire new servers. Payment is made at an annual amount of \$38,880 that includes interest at an annual rate of 3.700% over a three year term ending in fiscal year 2018.

The annual debt service requirements to maturity for the bonds payable are as follows as of June 30, 2016:

| Year Ending<br><u>June 30</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|-------------------------------|---------------------|-------------------|---------------------|
| 2017                          | \$ 225,000          | \$ 71,950         | \$ 296,950          |
| 2018                          | 235,000             | 67,350            | 302,350             |
| 2019                          | 235,000             | 62,650            | 297,650             |
| 2020                          | 240,000             | 57,900            | 297,900             |
| 2021                          | 245,000             | 53,050            | 298,050             |
| 2022-2026                     | 1,325,000           | 155,375           | 1,480,375           |
| 2027                          | 290,000             | 5,075             | 295,075             |
| Total                         | <u>\$ 2,795,000</u> | <u>\$ 473,350</u> | <u>\$ 3,268,350</u> |

(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

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

In addition to the debt service payments presented above, the College recognized bond premiums of \$102,396 which are amortized on a straight line basis over the remaining lives of the bonds. Unamortized bond premiums at June 30, 2016 are \$87,071.

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, 2016:

|  |                  |
|--|------------------|
| Year Ending                                    |                  |
| <u>June 30</u>                                 |                  |
| 2017   | \$ 38,880        |
| 2018   | 38,880           |
|  | <u>77,760</u>    |
| Less amount representing interest              | (3,351)          |
| Present value of future minimum lease payments | <u>\$ 74,409</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.

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

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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 option to renew was exercised in June 8, 2016. The annual rental expense under the additional five-year term is \$112,170. The College has a five-year lease agreement effective April 15, 2016 for office equipment. The annual rental expense under the agreement is \$38,789. In addition, the college has a five-year lease agreement effective November 1, 2015 for office equipment. The annual rental expense under the agreement is \$4,308.

At June 30, 2016, minimum lease payments under all leases are as follows:

| Year Ending<br><u>June 30</u> |                   |
|-------------------------------|-------------------|
| 2017                          | \$ 208,438        |
| 2018                          | 155,267           |
| 2019                          | 155,267           |
| 2020                          | 155,267           |
| 2021                          | <u>52,455</u>     |
| Total minimum lease payments  | <u>\$ 726,694</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, survivor 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.

Each retirement system issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment health care plans. The reports may be obtained by contacting:

OPERS  
277 East Town Street  
Columbus, OH 43215-4642  
(614) 222-7377  
www.opers.org

STRS  
275 East Broad Street  
Columbus, OH 43215-3771  
(888) 227-7877  
www.strsoh.org

**Contributions:**

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 THE FINANCIAL STATEMENTS  
 Years Ended June 30, 2016 and 2015

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

State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the ORC limits the maximum rate of contributions. The retirement boards of the systems individually set contributions rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, employer's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Member contributions for both plans are set at the maximum amount authorized by the ORC. The plans' 2016 and 2015 contribution rates on covered payroll to each system are:

|       | Pension | Post<br>Retirement<br>Healthcare | Total  |
|-------|---------|----------------------------------|--------|
| STRS  | 14.00%  | 0.00%                            | 14.00% |
| OPERS | 12.00%  | 2.00%                            | 14.00% |

The College's required and actual contributions to OPERS and STRS for the years ended June 30, 2016 and 2015 were as follows:

|       | 2016       | 2015         |
|-------|------------|--------------|
| STRS  | \$ 532,693 | \$ 558,455   |
| OPERS | 438,479    | 485,138      |
| Total | \$ 971,172 | \$ 1,043,593 |

**Benefits Provided:**

STRS: Plan benefits are established under Chapter 3307 of the Revised Code, as amended by Substitute Senate Bill 342 in 2012, gives the Retirement Board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the cost-of-living adjustment ("COLA") as the need or opportunity arises, depending on the retirement system's funding progress.

Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age. Beginning August 1, 2015, eligibility requirements for an unreduced benefit will change. The maximum annual retirement allowance, payable for life considers years of credited service, final average salary (3-5 years) and multiplying by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits.

A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the plan. Death benefit coverage up to \$2,000 can be purchased by participants in all three of the plans. Various other benefits are available to members' beneficiaries.

(Continued)

EDISON STATE COMMUNITY COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 Years Ended June 30, 2016 and 2015

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

OPERS – Plan benefits are established under Chapter 145 of the Ohio Revised Code, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depends on years of service (15 to 30 years) and from attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15-30 years), age (48-62 years) and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

A death benefit of \$500 - \$2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent.

**Net Pension Liability, Deferrals, and Pension Expense:**

At June 30, 2016, the College reported a liability for its proportionate share of the net pension liability of OPERS and STRS. The net pension liability presented as of June 30, 2016 was measured as of June 30, 2015 for the STRS plan and December 31, 2015 for the OPERS plan. The net pension liability presented as of June 30, 2015 was measured as of June 30, 2014 for the STRS plan and December 31, 2014 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

| Plan  | Measurement Date | Net Pension Liability |                      | Proportionate Share |             | Percent Change |
|-------|------------------|-----------------------|----------------------|---------------------|-------------|----------------|
|       |                  | 2016                  | 2015                 | 2016                | 2015        |                |
| STRS  | June 30          | \$ 10,814,772         | \$ 9,756,043         | 0.03913139%         | 0.04010960% | -2.44%         |
| OPERS | December 31      | 4,050,419             | 3,261,782            | 0.02342800%         | 0.02706400% | -13.43%        |
| Total |                  | <u>\$ 14,865,191</u>  | <u>\$ 13,017,825</u> |                     |             |                |

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

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

For the years ended June 30, 2016 and 2015, the College recognized pension expense of \$878,753 and \$823,903, respectively.

At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 493,018                                    | \$ 85,067                                    |
| Net difference between projected and actual earnings<br>on pension plan investments                             | 1,213,475                                     | 777,786                                      |
| Changes in proportion and differences between College<br>contributions and proportionate share of contributions | -   | 735,934                                      |
| College contributions subsequent to the measurement date  | 709,575                                       | -  |
| Total   | <u>\$ 2,416,068</u>                           | <u>\$ 1,598,787</u>                          |

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 93,923                                     | \$ 58,090                                    |
| Net difference between projected and actual earnings<br>on pension plan investments                             | 174,318                                       | 1,804,905                                    |
| Changes in proportion and differences between College<br>contributions and proportionate share of contributions | -   | -  |
| College contributions subsequent to the measurement date  | 733,847                                       | -  |
| Total   | <u>\$ 1,002,088</u>                           | <u>\$ 1,862,995</u>                          |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30</u> | <u>Amount</u> |
|---------------------------|---------------|
| 2017                      | (179,516)     |
| 2018                      | (157,483)     |
| 2019                      | 29,263        |
| 2020                      | 439,626       |
| 2021                      | (5,507)       |
| Thereafter                | (18,677)      |

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability during the fiscal year ended June 30, 2017.

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 Years Ended June 30, 2016 and 2015

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

**Actuarial Assumptions:**

The total pension liability in the actuarial valuations were determined using the following actuarial assumptions. These assumptions were the same for both fiscal years and applied to all periods included in the measurement period:

|                                       | <u>STRS - as of 6/30/15</u>                                 | <u>OPERS - as of 12/31/15</u>  |
|---------------------------------------|---|--|
| Actuarial cost method                 | Entry age normal  | Individual entry age   |
| Cost of living                        | 2.0 percent   | 3.0 percent  |
| Salary increases, including inflation | 2.75 percent - 12.25 percent                                | 4.25 percent - 10.05 percent   |
| Inflation                             | 2.75 percent  | 3.75 percent   |
| Investment rate of return             | 7.75 percent, net of pension plan investment expense        | 8.00 percent, net of pension plan investment expense                 |
| Experience study date                 | Priod of 5 years ended July 1, 2012                         | Priod of 5 years ended December 31, 2010                             |
| Mortality basis                       | RP-2000 Combined Mortality Table (Projection 2022-Scale AA) | RP-2000 Mortality Table projected 20 years using Projection Scale AA |

**Discount Rate:**

The discount rates used to measure the total pension liability were 7.75 percent and 8.0 percent for STRS and OPERS, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class were the same for both fiscal years and are summarized in the following table:

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

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

| Investment Category  | STRS              |                                   | Investment Category  | OPERS             |                                   |
|----------------------|-------------------|-----------------------------------|----------------------|-------------------|-----------------------------------|
|                      | Target Allocation | Term Expected Real Rate of Return |                      | Target Allocation | Term Expected Real Rate of Return |
| Domestic equity      | 31.00%            | 8.00%                             | Fixed income         | 23.00%            | 2.31%                             |
| International equity | 26.00%            | 7.85%                             | Domestic equities    | 20.70%            | 5.84%                             |
| Alternatives         | 14.00%            | 8.00%                             | Real estate          | 10.00%            | 4.25%                             |
| Fixed income         | 18.00%            | 3.75%                             | Private equity       | 10.00%            | 9.25%                             |
| Real estate          | 10.00%            | 6.75%                             | International equity | 18.30%            | 7.40%                             |
| Liquidity reserves   | 1.00%             | 3.00%                             | Other investments    | 18.00%            | 4.59%                             |
| Total                | 100.00%           |                                   | Total                | 100.00%           |                                   |

**Sensitivity of the net pension liability to changes in the discount rate:**

The following presents the net pension liability of the College, calculated using the discount rate listed below, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

Fiscal Year 2016

| Plan  | 1.00 Percent Decrease |               | Current Discount Rate |               | 1.00 percent increase |              |
|-------|-----------------------|---------------|-----------------------|---------------|-----------------------|--------------|
| STRS  | 6.75%                 | \$ 15,022,534 | 7.75%                 | \$ 10,814,772 | 8.75%                 | \$ 7,256,482 |
| OPERS | 7.00%                 | 6,465,269     | 8.00%                 | 4,050,419     | 9.00%                 | 2,013,861    |
|       |                       | \$ 21,487,803 |                       | \$ 14,865,191 |                       | \$ 9,270,343 |

Fiscal Year 2015

| Plan  | 1.00 Percent Decrease |               | Current Discount Rate |               | 1.00 percent increase |              |
|-------|-----------------------|---------------|-----------------------|---------------|-----------------------|--------------|
| STRS  | 6.75%                 | \$ 13,966,839 | 7.75%                 | \$ 9,756,043  | 8.75%                 | \$ 6,195,126 |
| OPERS | 7.00%                 | 6,005,548     | 8.00%                 | 3,261,782     | 9.00%                 | 951,006      |
|       |                       | \$ 19,972,387 |                       | \$ 13,017,825 |                       | \$ 7,146,132 |

**Pension plan fiduciary net position:**

Detailed information about each pension plan's fiduciary net position is available in the separately issued STRS and OPERS financial reports.

**Payable to the Pension Plans:**

At June 30, 2016 and 2015, the College reported a payable of \$52,481 and \$55,235 for the outstanding amount of contributions to OPERS and STRS required for the year ended June 30, 2016 and 2015, respectively.

(Continued)

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

**Alternate Retirement Plans (“ARP”):**

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 9.5% 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 4.5% of employees' covered compensation to STRS and .77% of employees' covered compensation to OPERS. Plan participants' contributions to ARP plan providers were \$105,624 and \$93,146 and the College contributions to the Plan providers amounted to \$105,499 and \$99,518, respectively, for the years ended June 30, 2016 and 2015. Employer contributions for the year ended June 30, 2016 and 2015 were reduced by \$29,788 and \$37,822, respectively, as a result of forfeitures used to offset employer contributions. In addition, the amounts contributed to STRS and OPERS by the College on behalf of ARP participants were \$23,810 and \$20,811, respectively, for the years ended June 30, 2016 and 2015. Employees become fully vested in employer contributions to the ARP after five years, with no vesting provided for terms of service less than five years.

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

State Teachers Retirement System – STRS Ohio provides access to health care benefits to retirees who participated in the DB or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year ended June 2016, the State Teachers Retirement Board allocated employer contributions equal to 0.00% of covered payroll to the Health Care Stabilization Fund. The College's contributions allocated to health care benefits for the years ended June 30, 2016, 2015, and 2014 were \$0, \$39,890 and \$39,637, respectively, which equaled the required contributions each year.

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(Continued)

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

Ohio Public Employee Retirement System – OPERS provides access to postretirement healthcare coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. OPERS' eligibility requirements for postemployment healthcare coverage are changed for those retiring on and after January 1, 2015. Please see the plan statement in the OPERS 2015 CAFR for details. Access to healthcare coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided per the Ohio Revised Code.

OPERS' Postemployment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). Each year, the OPERS board of trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan, as recommended by OPERS' actuary, was 2.0 percent during calendar years 2016 and 2015. The OPERS board of trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the College's 2016, 2015, and 2014 contributions to OPERS used to fund postemployment benefits was \$62,653, \$26,683, and \$27,551 respectively.

**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 \$4,627,155 for student loans through the U.S. Department of Education federal direct lending program for the year ended June 30, 2016. The College distributed \$5,377,459 for student loans through the U.S. Department of Education federal direct lending program for the year ended June 30, 2015. These distributions and related funding source are not included as expenses or revenue in the accompanying financial statements.

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

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**NOTE 13 - RELATED ORGANIZATION**

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

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

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, 2016 and 2015, contributors to the Foundation have outstanding unconditional pledges totaling \$2,884 and \$4,202, respectively. All pledges have been classified as temporarily restricted net assets since they will either expire or be fulfilled within a specified period of time. Pledges are as follows:

|                    | 2016            | 2015            |
|--------------------|-----------------|-----------------|
| Less than one year | \$ 2,804        | \$ 3,202        |
| One to five years  | 80              | 1,000           |
| Total              | <u>\$ 2,884</u> | <u>\$ 4,202</u> |

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 THE FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

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

Investments by major types for the years ended June 30, 2016 and 2015 are as follows:

|                             | <u>2016</u>         | <u>2015</u>         |
|-----------------------------|---------------------|---------------------|
| Corporate bonds             | \$ 195,692          | \$ 262,334          |
| Common stocks               | 998,812             | 1,014,950           |
| Mutual funds - REITS        | 80,224              | 70,618              |
| Mutual funds - Fixed income | 299,010             | 334,757             |
| Mutual funds - Equities     | <u>162,875</u>      | <u>309,683</u>      |
| Total                       | <u>\$ 1,736,613</u> | <u>\$ 1,992,342</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, 2016 and 2015 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 THE FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

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

| Fair Value Measurements at June 30, 2016 |   |  |  |                             |
|--|---|--|--|-----------------------------|
|  | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs (Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance at<br>June 30, 2016 |
| Assets:                                  |   |  |  |                             |
| Fixed income - Domestic (1)              | \$ 369,503  | \$ 75,100  | \$ -   | \$ 444,603                  |
| Fixed income - International (1)         | -   | -  | -  | -                           |
| Fixed income - U.S. agencies (1)         | -   | 50,099   | -  | 50,099                      |
| Equities - Domestic                      | 1,114,574   | -  | -  | 1,114,574                   |
| Equities - International                 | 47,113  | -  | -  | 47,113                      |
| Equities - REITs                         | 80,224  | -  | -  | 80,224                      |
|  | \$ 1,611,414  | \$ 125,199   | \$ -   | \$ 1,736,613                |

| Fair Value Measurements at June 30, 2015 |   |  |  |                             |
|--|---|--|--|-----------------------------|
|  | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs (Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance at<br>June 30, 2015 |
| Assets:                                  |   |  |  |                             |
| Fixed income - Domestic (1)              | \$ 370,884  | \$ 75,312  | \$ -   | \$ 446,196                  |
| Fixed income - International (1)         | -   | 50,331   | -  | 50,331                      |
| Fixed income - U.S. agencies (1)         | -   | 100,564  | -  | 100,564                     |
| Equities - Domestic                      | 1,146,318   | -  | -  | 1,146,318                   |
| Equities - International                 | 178,315   | -  | -  | 178,315                     |
| Equities - REITs                         | 70,618  | -  | -  | 70,618                      |
|  | \$ 1,766,135  | \$ 226,207   | \$ -   | \$ 1,992,342                |

Net realized and unrealized (losses) gains on investments were (\$76,972) and (\$4,306) for the years ended June 30, 2016 and 2015, 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)

**REQUIRED SUPPLEMENTARY INFORMATION**

EDISON STATE COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION

| <u>Schedule of the College's Proportionate Share of the Net Pension Liability</u>  | <u>OPERS</u><br>2016 | <u>STRS</u><br>2016 |
|--|----------------------|---------------------|
| College's proportion of the collective net pension liability   |                      |                     |
| As a percentage  | 0.0234280%           | 0.0391314%          |
| Amount   | \$ 4,050,419         | \$ 10,814,772       |
| College's covered-employee payroll   | \$ 3,131,993         | \$ 3,804,950        |
| College's proportionate share of the collective pension liability<br>(amount), as a percentage of the College's covered-employee payroll | 129.32%              | 284.23%             |
| Plan fiduciary net position as a percentage of the total pension liability   | 81.19%               | 72.10%              |

| <u>Schedule of College Contributions</u>   | <u>OPERS</u><br>2016 | <u>STRS</u><br>2016 |
|--|----------------------|---------------------|
| Statutorily required contributions   | \$ 438,479           | \$ 532,693          |
| Contributions in relation to the actuarially determined contractually<br>required contribution | \$ 438,479           | \$ 532,693          |
| Contribution deficiency (excess)   | \$ -                 | \$ -                |
| Covered employee payroll   | \$ 3,131,993         | \$ 3,804,950        |
| Contributions as a percentage of covered-employee payroll                                      | 14.00%               | 14.00%              |

| <u>Schedule of the College's Proportionate Share of the Net Pension Liability</u>  | <u>OPERS</u><br>2015 | <u>STRS</u><br>2015 |
|--|----------------------|---------------------|
| College's proportion of the collective net pension liability   |                      |                     |
| As a percentage  | 0.0270640%           | 0.0401096%          |
| Amount   | \$ 3,261,782         | \$ 9,756,043        |
| College's covered-employee payroll   | \$ 3,370,248         | \$ 3,693,112        |
| College's proportionate share of the collective pension liability<br>(amount), as a percentage of the College's covered-employee payroll | 96.78%               | 264.17%             |
| Plan fiduciary net position as a percentage of the total pension liability   | 86.53%               | 74.71%              |

| <u>Schedule of College Contributions</u>   | <u>OPERS</u><br>2015 | <u>STRS</u><br>2015 |
|--|----------------------|---------------------|
| Statutorily required contributions   | \$ 453,891           | \$ 514,515          |
| Contributions in relation to the actuarially determined contractually<br>required contribution | \$ 453,891           | \$ 514,515          |
| Contribution deficiency (excess)   | \$ -                 | \$ -                |
| Covered employee payroll   | \$ 3,242,079         | \$ 3,675,107        |
| Contributions as a percentage of covered-employee payroll                                      | 14.00%               | 14.00%              |

Note: Information prior to 2015 is not available.

**Notes to Required Supplementary Information  
Year Ended June 30, 2016**

*Changes of benefit terms* – There were no changes in benefit terms affecting the STRS and the OPERS plans for the plan years ended June 30, 2015 and December 31, 2015, respectively.

*Changes of assumptions* – There were no changes in assumptions or plan amendments affecting the STRS and the OPERS plans for the plan years ended June 30, 2015 and December 31, 2015, respectively.

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

Board of Trustees  
Edison State Community College  
Piqua, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Edison State Community College (the "College"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 13, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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. 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.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

**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.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
October 13, 2016

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Edison State Community College  
Piqua, Ohio

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

We have audited the Edison State Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each the 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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

Management of the 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 the 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 the Uniform Guidance, 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 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
October 13, 2016

Edison State Community College  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

| <u>Federal Grantor/Pass Through Grantor/Program Title</u>                | <u>Grant or Pass<br/>Through Number</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Expenditures</u>            |
|--|---|------------------------------------|--------------------------------|
| <u>U.S. Department of Education</u>                                      |   |                                    |                                |
| <u>Title IV Program</u>  |   |                                    |                                |
| <u>Student Financial Aid Cluster:</u>                                    |   |                                    |                                |
| Supplemental Educational Opportunity Grant                               | N/A                                     | 84.007                             | \$ 57,834                      |
| College Work Study   | N/A                                     | 84.033                             | 62,947                         |
| Pell Grant   | N/A                                     | 84.063                             | 3,254,214                      |
| Federal Direct Student Loans   | N/A                                     | 84.268                             | <u>4,627,155</u>               |
| Total Student Financial Aid Cluster                                      |   |                                    | <u>8,002,150</u>               |
| <br><u>Title I Program</u>   |   |                                    |                                |
| <i>Passed through the State of Ohio<br/>Department of Education:</i>     |   |                                    |                                |
| Vocational Education   | U.S.A.S #524                            | 84.048                             | <u>65,500</u>                  |
| Total Title I Program  |   |                                    | <u>65,500</u>                  |
| Total U.S. Department of Education                                       |   |                                    | <u>8,067,650</u>               |
| <br><u>U.S. Department of Health and Human Services</u>                  |   |                                    |                                |
| <i>Passed through the State of Ohio Department<br/>of Education:</i>     |   |                                    |                                |
| Child Care and Development Block Grant                                   | 403948                                  | 93.575                             | <u>3,950</u>                   |
| Total U.S. Department of Health and Human Services                       |   |                                    | <u>3,950</u>                   |
| <br><u>U.S. Small Business Administration</u>                            |   |                                    |                                |
| <i>Passed through the State of Ohio Development<br/>Services Agency:</i> |   |                                    |                                |
| Small Business Development Center  | N/A                                     | 59.037                             | <u>6,170</u>                   |
| Total U.S. Small Business Administration                                 |   |                                    | <u>6,170</u>                   |
| <br>TOTAL EXPENDITURES OF FEDERAL AWARDS                                 |   |                                    | <br>\$ <u><u>8,077,770</u></u> |

See accompanying notes to the schedule of expenditures of federal awards.

EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2016

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**NOTE 1 - GENERAL**

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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 position, or cash flows of Edison State Community College.

**NOTE 2 – BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the College's financial statements. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. In addition, the College did not pass-through any federal awards to subrecipients during the year ended June 30, 2016.

The College has not elected to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance

**NOTE 3 – FEDERAL WORK-STUDY AND FEDERAL SEOG WAIVER**

For the year ended June 30, 2016, the College received a waiver from the Department of Education for the Institutional Share Requirement under the Federal Work-study and Federal Supplemental Educational Opportunity Grant programs.

**NOTE 4 – LOAN PROGRAMS**

The College originates but does not provide funding under the Direct Loan Program. The amount presented represents the value of new Direct Loans awarded by the Department of Education during the year.

**Section I – Summary of Auditors’ Results**

Financial Statements

|  |            |
|--|------------|
| Type of auditors’ report issued:   | Unmodified |
| Internal control over financial reporting:   |            |
| • Material weakness(es) identified?  | None noted |
| • Significant deficiency(ies) identified not considered to be material weakness(es)? | None noted |
| Noncompliance material to financial statements noted?                                | None noted |

Federal Awards

|  |            |
|--|------------|
| Internal control over major program:   |            |
| • Material weakness(es) identified?  | None noted |
| • Significant deficiency(ies) identified not considered to be material weakness(es)?     | None noted |
| Type of auditors’ report issued on compliance for major federal program:                 | Unmodified |
| Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? | None noted |

Identification of major program:

- Student Financial Aid Cluster:
  - CFDA# 84.007 – Supplemental Educational Opportunity Grant
  - CFDA# 84.033 – College Work Study
  - CFDA# 84.063 – Pell Grant
  - CFDA# 84.268 – Federal Direct Student Loans

|   |           |
|---|-----------|
| Dollar threshold to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee?                              | Yes       |

**Section II – Financial Statement Findings**

None noted

**Section III – Federal Awards Findings and Questioned Costs**

None noted

**Section IV – Summary of Prior Audit Findings and Questioned Costs**

None noted



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# 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 10, 2016**