

**EDISON STATE COMMUNITY COLLEGE**  
Piqua, Ohio

**ANNUAL REPORT**  
June 30, 2007 and 2006





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Edison State Community College, Miami County, prepared by Crowe Chizek and Company LLC, for the audit period July 1, 2006 through June 30, 2007. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 28, 2007

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EDISON STATE COMMUNITY COLLEGE

ANNUAL REPORT  
June 30, 2007 and 2006

CONTENTS

REPORT OF INDEPENDENT AUDITORS.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
FINANCIAL STATEMENTS	
STATEMENTS OF NET ASSETS.....	14
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS .....	15
STATEMENTS OF CASH FLOWS .....	16
NOTES TO FINANCIAL STATEMENTS.....	17
SUPPLEMENTARY INFORMATION	
BOARD OF TRUSTEES AND ADMINISTRATIVE PERSONNEL.....	33
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	34
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	35
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.....	36
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	38
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	40
SCHEDULE OF RESOLUTION OF PRIOR YEAR AUDIT FINDINGS.....	42



Crowe Chizek and Company LLC  
Member Horwath International

## REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Edison State Community College (the "College"), a component unit of the State of Ohio, as of and for the years ended June 30, 2007 and 2006, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Edison State Community College as of June 30, 2007 and 2006, and the respective changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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The Management's Discussion and Analysis (MD&A) on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 12, 2007, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the College taken as a whole. The accompanying Schedule of Expenditures of Federal Awards on pages 34 and 35, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Crowe Chizek and Company LLC*  
Crowe Chizek and Company LLC

Columbus, Ohio  
October 12, 2007

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007 and 2006

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of Edison Community College's ("College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2007 and 2006. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with College management.

**Using This Report**

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

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

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

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

**Financial Highlights**

In the fiscal year ended June 30, 2007, College's revenues and other support exceeded expenses, creating an increase in net assets of \$3,305,689, and the cash position of the College decreased \$259,478.

The increase in the net assets is attributable to unrestricted resources being committed to technological initiatives to better position the College for future demands. These initiatives involve both automated solutions and the related infrastructure needed to support these endeavors.

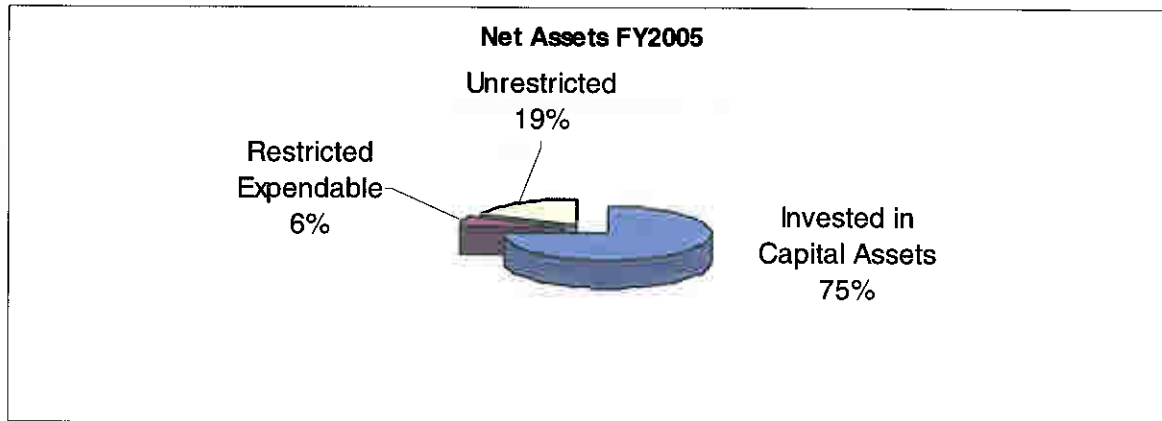
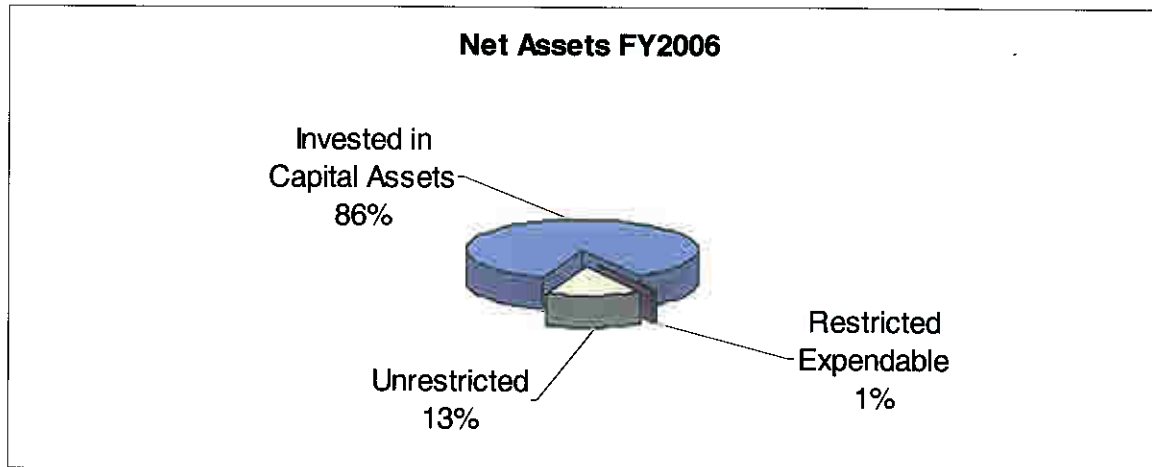
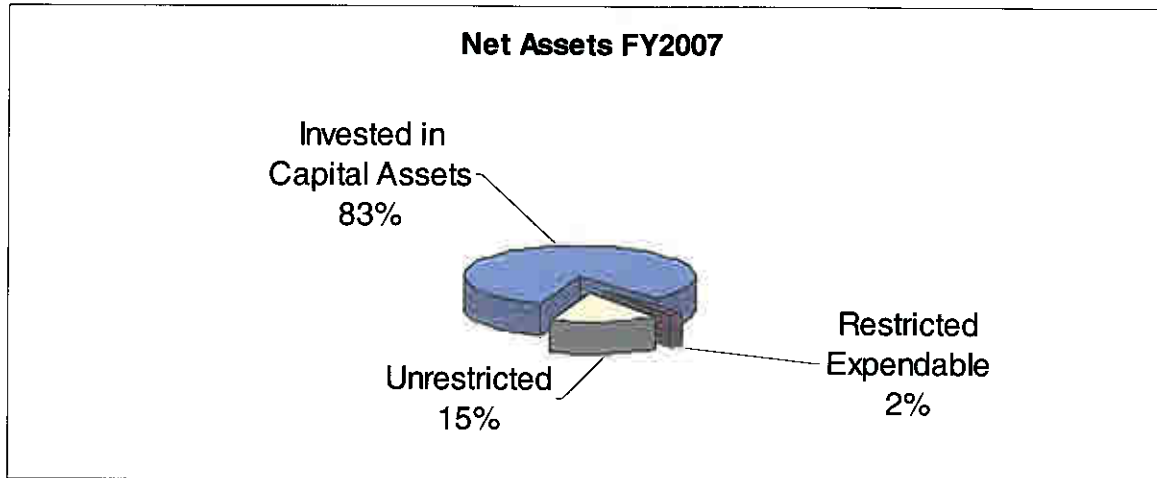
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EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007 and 2006

The following charts provide a graphical breakdown of net assets by category for the fiscal years ended June 30, 2007, 2006 and 2005.



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EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007 and 2006

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

**The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets**

One of the most important questions asked about the College's finances is whether the College as a whole is better off or worse off as a result of the year's activities. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the College as a whole and on its activities in a way that helps answer this question. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider many other non-financial factors, such as the trend and quality of applicants, class size, student retention, strength of faculty, condition of the buildings and the safety of campus, to assess the overall health of the College. In spite of continued cutbacks in state appropriations, the College's financial position remained strong at June 30, 2007.

Following is a summary of the major components of net assets and operating results of the College as of and for the years ended June 30, 2007, 2006 and 2005:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current assets	\$ 10,549,684	\$ 10,983,436	\$ 6,281,281
Non-current assets			
Capital assets, net	18,496,510	11,503,683	10,895,947
Other	<u>409,000</u>	<u>3,859,000</u>	<u>1,105,477</u>
Total assets	<u>\$ 29,455,194</u>	<u>\$ 26,346,119</u>	<u>\$ 18,282,705</u>
Current liabilities	\$ 7,764,949	\$ 7,791,046	\$ 3,998,010
Noncurrent liabilities	4,973,153	5,143,670	669,143
Net assets			
Invested in capital assets - net of related debt	13,894,384	11,536,506	10,363,600
Restricted	287,211	100,032	660,372
Unrestricted	<u>2,535,497</u>	<u>1,774,865</u>	<u>2,591,580</u>
Total net assets	<u>16,717,092</u>	<u>13,411,403</u>	<u>13,615,552</u>
Total liabilities and net assets	<u>\$ 29,455,194</u>	<u>\$ 26,346,119</u>	<u>\$ 18,282,705</u>

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007 and 2006

	Years ended June 30		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Operating revenues</b>			
Student tuition and fees	\$ 5,899,280	\$ 5,393,140	\$ 5,183,040
Federal grant and contracts	2,280,444	2,332,624	2,452,585
State and local grants and contracts	151,278	192,198	139,486
Auxiliary enterprises-bookstore	1,305,611	1,313,348	1,194,815
Other operating revenues	<u>240,012</u>	<u>222,154</u>	<u>248,231</u>
Total operating revenues	<u>9,876,625</u>	<u>9,453,464</u>	<u>9,218,157</u>
<b>Operating expenses</b>			
Educational and general			
Instruction	7,057,638	6,701,218	6,327,245
Public service	735,047	732,101	951,562
Academic support	382,682	352,959	310,082
Student services	1,945,186	1,806,436	1,667,537
Institutional support	3,904,068	3,514,587	3,365,381
Plant operations and maintenance	956,867	1,292,635	1,342,340
Depreciation	588,561	698,930	872,422
Student aid	516,721	519,502	558,191
Auxiliary enterprises-bookstore	<u>991,280</u>	<u>1,005,746</u>	<u>885,251</u>
Total operating expenses	<u>17,078,050</u>	<u>16,624,114</u>	<u>16,280,011</u>
Operating loss	<u>(7,201,425)</u>	<u>(7,170,650)</u>	<u>(7,061,854)</u>
<b>Nonoperating revenues (expenses) and other revenues</b>			
State appropriations	6,343,144	6,203,896	6,351,068
Interest expense	(139,002)	(69,605)	(32,350)
Other	127,847	189,392	151,778
Other nonoperational revenue	324,849	167,542	-
Capital grants	475,276	475,276	408,070
Capital appropriations	<u>3,375,000</u>	<u>-</u>	<u>-</u>
Total nonoperating and other revenues (expenses)	<u>10,507,114</u>	<u>6,966,501</u>	<u>6,878,566</u>
<b>Change in net assets</b>	<u>\$ 3,305,689</u>	<u>\$ (204,149)</u>	<u>\$ (183,288)</u>

(Continued)

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007 and 2006

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### Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees and bookstore operations. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for service.

The following factors significantly impacted fiscal year 2007 operating revenue:

- Student tuition and fees revenue increased as a result of the Board of Trustees raising the rates by 6.0%. In addition, the fall 2006 enrollment decreased by 2.0% over the prior year.
- Grant revenue decreased approximately 3.7% or \$93,100.

The following factors significantly impacted fiscal year 2006 operating revenue:

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

The following factors significantly impacted fiscal year 2005 operating revenue:

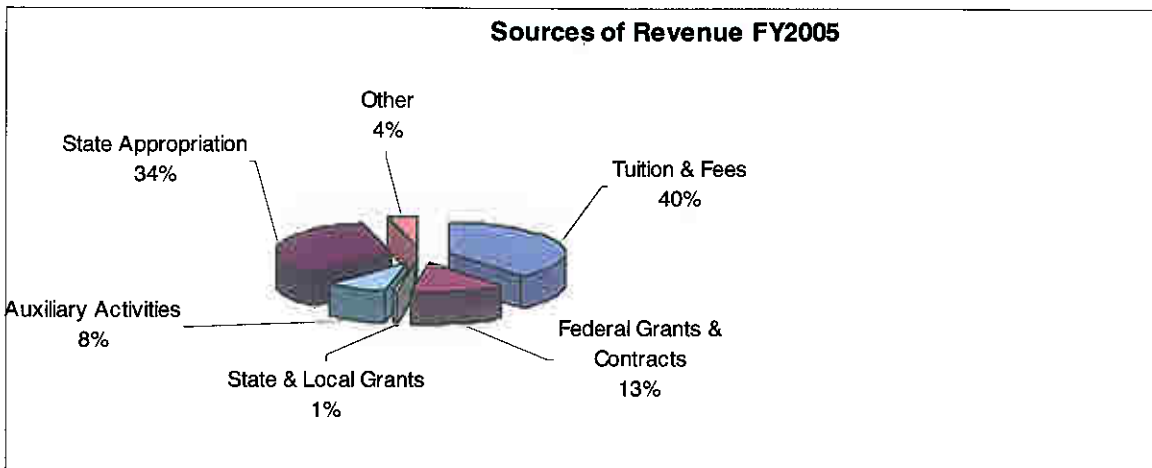
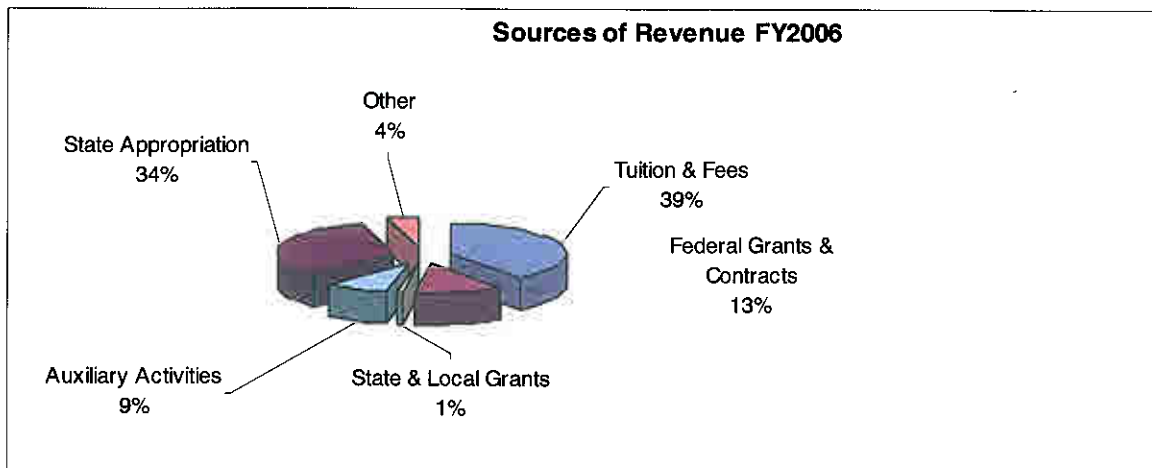
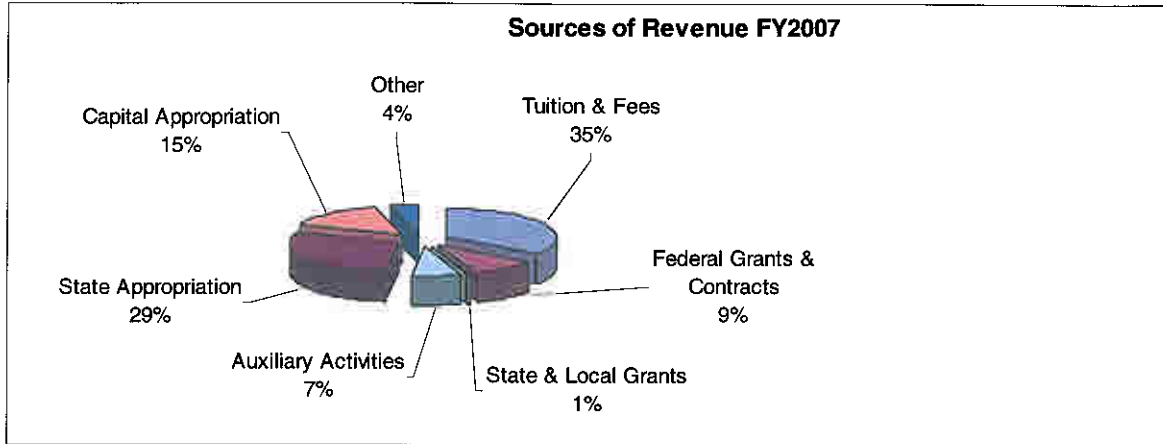
- Student tuition and fees revenue increased as a result of the Board of Trustees raising the rates by 6.0%. In addition, the fall 2004 enrollment increased by 4.6% over the prior year.
- Grant revenue decreased approximately 3.8% or \$100,803.

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EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007 and 2006

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



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EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007 and 2006

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**Operating Expenses**

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

Fiscal year 2007 expenses were impacted by the following:

- Increase in salary and wages of 3% or \$448,972 from prior year.
- Construction of the Regional Center of Excellence and associated expenses.

Fiscal year 2006 expenses were impacted by the following:

- Increase in salary and wages of 3% or \$394,401 from prior year
- Increase of health benefits of 9.1% or \$193,063.

Fiscal year 2005 expenses were impacted by the following:

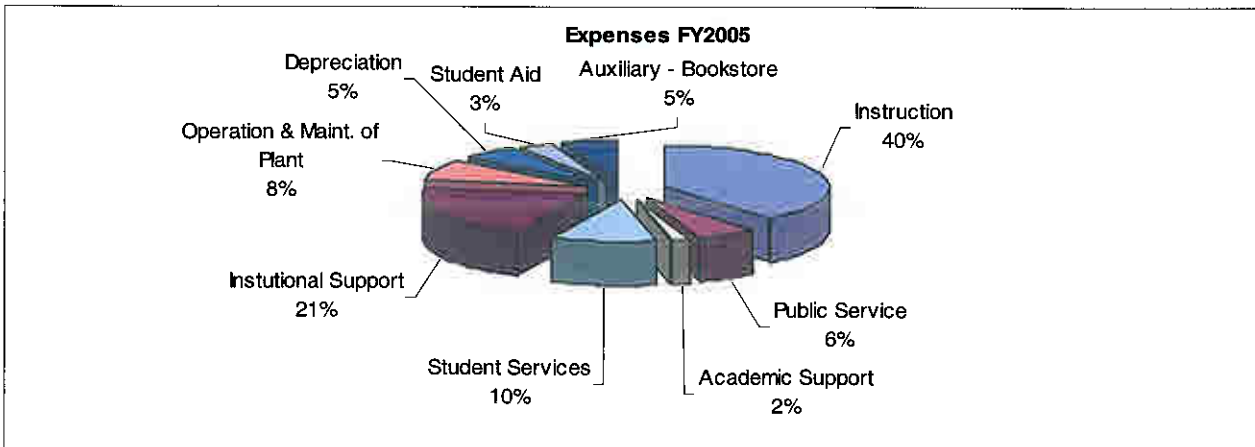
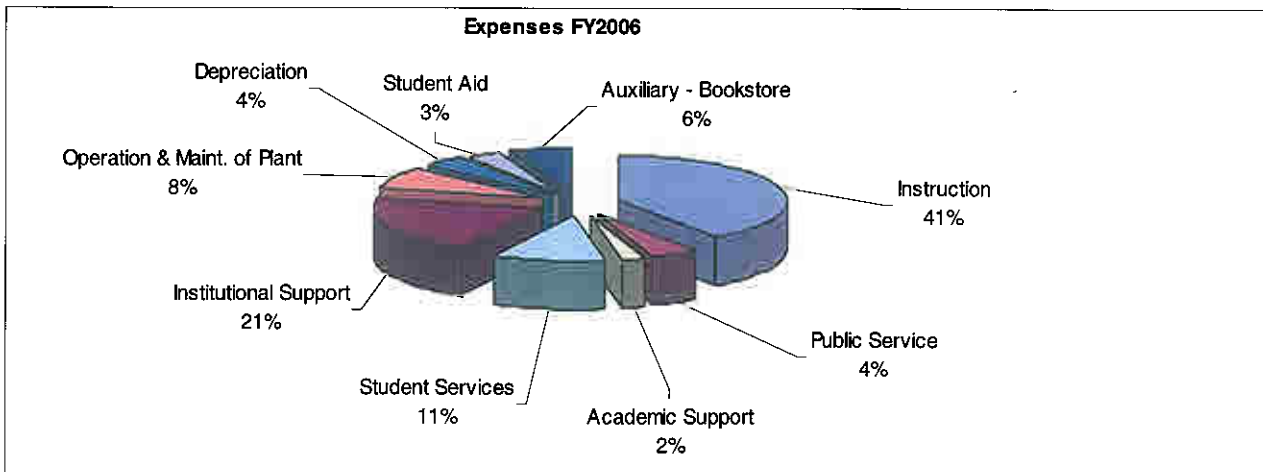
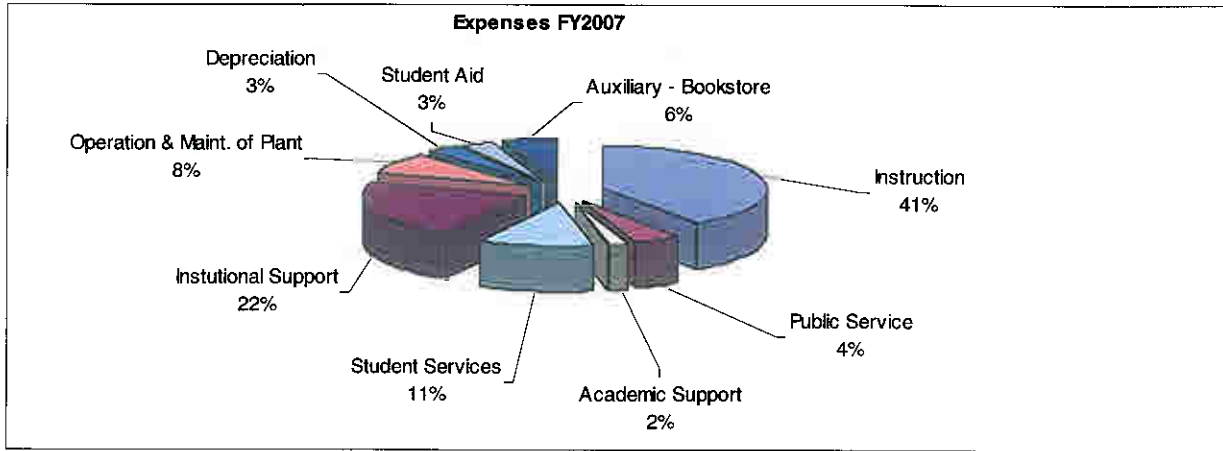
- Increase in salary and wages of 3% or \$273,811.
- Increase of health benefits of 9.5% or \$193,919.

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EDISON STATE COMMUNITY COLLEGE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 June 30, 2007 and 2006

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



(Continued)

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007 and 2006

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### **Non-Operating and Other Revenues**

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

Fiscal year 2007 non-operating and other revenue was significantly impacted by the following factor:

- The total state appropriation increased by 2.2 % from prior year, or \$139,248 resulting from continuing state funding challenges and restrictions.
- The college received a capital allocation appropriation of \$3,375,000.

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

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

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

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

### **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.

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EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007 and 2006

**Cash Flows for the Years Ended June 30, 2007, 2006 and 2005**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash provided by (used in):			
Operating activities	\$ (6,817,672)	\$ (6,355,893)	\$ (6,461,944)
Noncapital financing activities	6,470,991	6,328,148	6,438,891
Capital and related financing activities	(4,003,878)	7,175,676	(12,575)
Investing activities	<u>4,091,081</u>	<u>(5,806,918)</u>	<u>(684)</u>
Net increase in cash and cash equivalents	(259,478)	1,341,013	(36,312)
Cash and cash equivalents - beginning of year	<u>2,344,187</u>	<u>1,003,174</u>	<u>1,039,486</u>
Cash and cash equivalents - end of year	<u>\$ 2,084,709</u>	<u>\$ 2,344,187</u>	<u>\$ 1,003,174</u>

**Capital Assets**

At June 30, 2007, the College has some \$18.5 million invested in capital assets, net of accumulated depreciation of \$11.7 million. Depreciation charges totaled approximately \$0.6 million for the current fiscal year, \$0.7 million for 2006 and \$0.9 million for 2005. The net book value of capital assets at June 30, 2007, 2006 and 2005 is as follows:

	<u>June 30</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Land, land improvement	\$ 812,764	\$ 799,891	\$ 813,006
Building and improvements	5,157,249	5,062,227	4,595,229
Student conference center	4,232,782	4,404,353	4,575,925
Center for Excellence	6,521,888	-	-
Equipment	975,689	560,748	665,000
Vehicles	18,959	2,654	5,524
Regional Learning Center work in progress	<u>777,179</u>	<u>673,810</u>	<u>241,264</u>
Total	<u>\$ 18,496,510</u>	<u>\$ 11,503,683</u>	<u>\$ 10,895,948</u>

(Continued)

EDISON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007 and 2006

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**Long-Term Debt**

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

The College during fiscal year 2006 issued a bond which consist of a 4.0% series 2006 General Receipts Bond due December 2026. Scheduled payments were made on the 2006 General Receipts Bond.

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

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

**Economic Factors and Next Years' Budget**

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

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

EDISON STATE COMMUNITY COLLEGE  
STATEMENTS OF NET ASSETS  
June 30, 2007 and 2006

	College <u>2007</u>	College <u>2006</u>	College Related Foundation <u>2007</u>	College Related Foundation <u>2006</u>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 2,084,709	\$ 2,344,187	\$ -	\$ -
Investments	3,680,826	3,945,908	-	-
Accounts and pledges receivable (net)	4,394,837	4,281,332	613,446	439,213
Prepaid expenses and other	175,335	204,068	13,744	9,037
Inventories	<u>213,977</u>	<u>207,941</u>	<u>-</u>	<u>-</u>
Total current assets	10,549,684	10,983,436	627,190	448,250
<b>Noncurrent assets</b>				
Accounts and pledges receivable (net)	9,000	9,000	1,738,336	1,053,553
Restricted cash deposits	-	-	800,311	374,047
Investments	400,000	3,850,000	2,028,261	1,708,223
Capital assets (net)	<u>18,496,510</u>	<u>11,503,683</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	18,905,510	15,362,683	4,566,908	3,135,823
Total assets	<u>\$ 29,455,194</u>	<u>\$ 26,346,119</u>	<u>\$ 5,194,098</u>	<u>\$ 3,584,073</u>
<b>Liabilities and net assets</b>				
<b>Current liabilities</b>				
Accounts payable and accruals	\$ 310,406	\$ 411,565	\$ 27,064	\$ 4,060
Accrued salaries, wages, and benefits	628,245	751,964	-	-
Deferred revenues	3,055,774	2,993,752	-	-
Bond anticipation note	3,500,000	3,500,000	-	-
Capital lease obligation, current	54,637	52,548	-	-
Long term debt, current	<u>215,887</u>	<u>81,217</u>	<u>-</u>	<u>-</u>
Total current liabilities	7,764,949	7,791,046	27,064	4,060
<b>Noncurrent liabilities</b>				
Accrued salaries, wages, and benefits	268,423	168,417	-	-
Capital lease obligation	486,287	540,923	-	-
Long term debt	4,218,443	4,434,330	-	-
Other liability	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>75,000</u>
Total liabilities	12,738,102	12,934,716	127,064	79,060
<b>Net Assets</b>				
Invested in capital assets - net of related debt	13,894,384	11,536,506	-	-
Restricted - expendable	276,805	89,978	4,158,070	2,783,090
Restricted - nonexpendable	10,406	10,054	72,882	65,581
Unrestricted	<u>2,535,497</u>	<u>1,774,865</u>	<u>836,082</u>	<u>656,342</u>
Total net assets	16,717,092	13,411,403	5,067,034	3,505,013
Total liabilities and net assets	<u>\$ 29,455,194</u>	<u>\$ 26,346,119</u>	<u>\$ 5,194,098</u>	<u>\$ 3,584,073</u>

See accompanying notes to financial statements.

EDISON STATE COMMUNITY COLLEGE  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
Years ending June 30, 2007 and 2006

	College 2007	College 2006	College Related Foundation 2007	College Related Foundation 2006
<b>Operating revenue</b>				
Student tuition and fees	\$ 7,676,889	\$ 7,297,216	\$ -	\$ -
Less grants and scholarships	<u>(1,777,609)</u>	<u>(1,904,076)</u>	<u>-</u>	<u>-</u>
Net student tuition and fees	5,899,280	5,393,140	-	-
Federal grants and contracts	2,280,444	2,332,624	-	-
State and local grants and contracts	151,278	192,198	-	-
Auxiliary enterprises - bookstore, net of grants and scholarships of \$289,329 and \$309,966 in 2007 and 2006, respectively	1,305,611	1,313,348	-	-
Gifts	-	-	37,135	25,459
Other operating revenue	<u>240,012</u>	<u>222,154</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>9,876,625</u>	<u>9,453,464</u>	<u>37,135</u>	<u>25,459</u>
<b>Operating Expenses</b>				
Instruction	7,057,638	6,701,218	-	-
Public service	735,047	732,101	-	-
Academic support	382,682	352,959	-	-
Student services	1,945,186	1,806,436	-	-
Institutional support	3,904,068	3,514,587	277,821	277,206
Plant operations and maintenance	956,867	1,292,635	-	-
Depreciation	588,561	698,930	-	-
Student aid	516,721	519,502	-	-
Auxiliary enterprises	<u>991,280</u>	<u>1,005,746</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>17,078,050</u>	<u>16,624,114</u>	<u>277,821</u>	<u>277,206</u>
Operating loss	<u>(7,201,425)</u>	<u>(7,170,650)</u>	<u>(240,686)</u>	<u>(251,747)</u>
<b>Nonoperating revenues (expenses)</b>				
State appropriations	6,343,144	6,203,896	-	-
Gifts, including \$118,347 and \$124,252 from Foundation for 2007 and 2006, respectively	127,847	124,252	1,599,904	1,707,024
Investment income, net of expense	324,849	232,682	321,150	146,831
Interest expense	(139,002)	(69,605)	-	-
Payments to Edison State Community College	<u>-</u>	<u>-</u>	<u>(118,347)</u>	<u>(124,252)</u>
Total nonoperating revenues (expenses)	<u>6,656,838</u>	<u>6,491,225</u>	<u>1,802,707</u>	<u>1,729,603</u>
Income (loss) before other revenues, expenses, gains, or losses	<u>(544,587)</u>	<u>(679,425)</u>	<u>1,562,021</u>	<u>1,477,856</u>
Capital grants	475,276	475,276	-	-
Capital appropriation	<u>3,375,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other revenues	<u>3,850,276</u>	<u>475,276</u>	<u>-</u>	<u>-</u>
Change in net assets	3,305,689	(204,149)	1,562,021	1,477,856
Net assets at beginning of year	<u>13,411,403</u>	<u>13,615,552</u>	<u>3,505,013</u>	<u>2,027,157</u>
Net assets at end of year	<u>\$ 16,717,092</u>	<u>\$ 13,411,403</u>	<u>\$ 5,067,034</u>	<u>\$ 3,505,013</u>

See accompanying notes to financial statements.

EDISON STATE COMMUNITY COLLEGE  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Cash flows from operating activities</b>		
Student tuition and fees	\$ 5,890,306	\$ 5,716,183
Grants and contracts	2,338,063	2,483,021
Payments to vendors and employees	(16,591,664)	(16,090,599)
Auxiliary enterprise	1,305,611	1,313,348
Other receipts	<u>240,012</u>	<u>222,154</u>
Net cash from operating activities	(6,817,672)	(6,355,893)
<b>Cash flows from non-capital financing activities</b>		
State appropriations	6,343,144	6,203,896
Gifts	<u>127,847</u>	<u>124,252</u>
Net cash from non-capital financing activities	6,470,991	6,328,148
<b>Cash flows from capital and related financing activities</b>		
Capital grants	475,276	475,276
Capital appropriations	3,375,000	-
Purchases of capital assets	(7,581,388)	(1,306,666)
Proceeds from capital lease obligation	-	610,000
Proceeds from issuance of new debt	-	7,560,000
Interest paid on outstanding debt	(139,002)	(69,605)
Principal paid on outstanding debt	<u>(133,764)</u>	<u>(93,329)</u>
Net cash from capital and related financing activities	(4,003,878)	7,175,676
<b>Cash flows from investing activities</b>		
Proceeds from maturities of investments	3,715,082	856,094
Purchase of investments	-	(6,950,000)
Interest on investments	<u>375,999</u>	<u>286,988</u>
Net cash from investing activities	<u>4,091,081</u>	<u>(5,806,918)</u>
Net change in cash and cash equivalents	(259,478)	1,341,013
Cash and cash equivalents, beginning of year	<u>2,344,187</u>	<u>1,003,174</u>
Cash and cash equivalents, end of year	<u>\$ 2,084,709</u>	<u>\$ 2,344,187</u>
<b>Reconciliation of operating loss to net cash from operating activities</b>		
Operating loss	\$(7,201,425)	\$(7,170,650)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	588,561	698,930
Changes in assets and liabilities:		
Accounts receivable	(164,655)	75,800
Inventories	(6,036)	4,036
Prepaid expenses and other	28,733	(154,901)
Accounts payable and accruals	(101,159)	(36,493)
Accrued salaries, wages, and benefits	(23,713)	21,943
Deferred student fee income	<u>62,022</u>	<u>205,442</u>
Net cash from operating activities	<u>\$(6,817,672)</u>	<u>\$(6,355,893)</u>

See accompanying notes to consolidated financial statements.

EDISON STATE COMMUNITY COLLEGE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2007 and 2006

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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.

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

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

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2007 and 2006

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

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

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

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

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

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

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

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

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

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

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2007 and 2006

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

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

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

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

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

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

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

Recent Accounting Pronouncements: In June 2004, the GASB issued Statement No. 45, "Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions." This statement establishes standards for the measurement, recognition, and display of other postemployment benefit expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of employers subject to governmental accounting standards. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2006. Because the College participates only in state sponsored postemployment benefit plans, the adoption of this statement requires certain additional disclosures in the footnotes but has no other impact on the financial statements.

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(Continued)



EDISON STATE COMMUNITY COLLEGE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2007 and 2006

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

In September 2006, the GASB issued Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues." Governmental entities sometimes exchange an interest in their expected future cash flows from collecting specific receivables or specific revenues for immediate cash payments. This statement establishes criteria that the entity will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The statement also includes guidance to be used for recognizing other assets and liabilities arising from the sale of specific receivables or future revenues, including residual interests and recourse provisions. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2006. The College does not participate in the sale of receivables therefore this will have no impact on the financial statements.

In May 2007, the GASB issued Statement No. 50, "Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27." This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information by pension plans and by employers that provide pension benefits. The provisions of this statement are effective for financial statements for fiscal periods beginning after June 15, 2007. Because the College participates in only State sponsored postemployment benefit plans, the adoption of this statement requires certain additional disclosures in the footnotes but has no other impact on the financial statements.

In June 2007, the GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. The statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. The provisions of this statement are effective for financial statements for fiscal periods beginning after June 15, 2009. The College has not yet evaluated the impact that the adoption of this statement will have on its financial statements.

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

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

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2007 and 2006

**NOTE 2 - CASH AND INVESTMENTS**

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

Cash and cash equivalents: At June 30, 2007, the carrying amounts of the College's cash and cash equivalents was \$2,084,709 (included in cash and cash equivalents in the balance sheet) and the bank balances were \$1,943,058. The differences between carrying amounts and bank balances are primarily due to outstanding checks and deposits in transit at June 30, 2007. Of the bank balances, the amounts covered by federal depository insurance or by collateral held by the College's agent in the College's name were \$1,165,835. The remaining balances of \$777,223 were uninsured and were held in accounts collateralized by a pooled collateral account at the Federal Reserve Bank of Cleveland and by a government security fund in the name of the pledging bank. These arrangements are in compliance with the Ohio Revised Code.

Investments: Investments are stated at their fair value of \$4,080,826. The College's investments include \$3,940,525 invested in certificates of deposit. The remaining \$140,301 was on deposit in the State Treasurer's investment pool ("STAR Ohio"). STAR Ohio is an investment pool managed by the Ohio State Treasurer's office that allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. The College's deposit is valued at the pool's share price, which is the price the investment could be sold for on June 30, 2007. STAR Ohio has a AAA rating.

The fair value and cost of deposits and investments, by type, at June 30, 2007 and 2006 are as follows:

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,412,052	\$ 1,412,052	\$ 1,798,272	\$ 1,798,272
STAR Ohio	812,958	812,958	845,908	845,908
Certificates of deposit	<u>3,940,525</u>	<u>3,940,525</u>	<u>7,495,915</u>	<u>7,495,915</u>
	<u>\$ 6,165,535</u>	<u>\$ 6,165,535</u>	<u>\$ 10,140,095</u>	<u>\$ 10,140,095</u>

(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2007 and 2006

**NOTE 3 - ACCOUNTS RECEIVABLE**

Receivables at June 30, 2007 and 2006, consist of billings for student fees and receivables arising from grants and are summarized as follows:

	<u>2007</u>	<u>2006</u>
Student charges	\$ 3,202,760	\$ 3,052,668
Post secondary enrollment options program	1,162,466	1,223,936
Other	227,846	139,816
Non current receivable	9,000	9,000
Allowance for doubtful accounts	<u>(198,235)</u>	<u>(135,088)</u>
	<u>\$ 4,403,837</u>	<u>\$ 4,290,332</u>

**NOTE 4 - CAPITAL ASSETS**

The following is a summary of changes in the capital assets and related accumulated depreciation during the 2007 and 2006 fiscal year:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Cost:</b>				
Land	\$ 688,414	\$ -	\$ -	\$ 688,414
Land improvements	532,000	29,420	-	561,420
Buildings and improvements	10,562,337	344,296	-	10,906,633
Student conference center	6,208,972	-	-	6,208,972
Center for Excellence	-	6,546,142	-	6,546,142
Equipment	2,366,300	533,999	-	2,900,299
Vehicles	56,000	24,162	-	80,162
Library books	1,508,716	-	-	1,508,716
Capital work in progress	<u>673,810</u>	<u>103,369</u>	<u>-</u>	<u>777,179</u>
	<u>22,596,549</u>	<u>7,581,388</u>	<u>-</u>	<u>30,177,937</u>
<b>Less accumulated depreciation:</b>				
Land improvements	420,523	16,547	-	437,070
Building and improvements	5,500,110	249,274	-	5,749,384
Student conference center	1,804,619	171,571	-	1,976,190
Center for Excellence	-	24,254	-	24,254
Equipment	1,805,557	119,058	-	1,924,615
Vehicles	53,346	7,857	-	61,203
Library books	<u>1,508,711</u>	<u>-</u>	<u>-</u>	<u>1,508,711</u>
	<u>11,092,866</u>	<u>588,561</u>	<u>-</u>	<u>11,681,427</u>
<b>Capital assets - net</b>	<u>\$11,503,683</u>	<u>\$6,992,827</u>	<u>\$ -</u>	<u>\$ 18,496,510</u>

(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2007 and 2006

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

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

There were no significant commitments remaining at year end for work in progress.

(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2007 and 2006

**NOTE 5 - NONCURRENT LIABILITIES**

Noncurrent liabilities as of June 30, 2007 and 2006 are summarized as follows:

2007						
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Bond obligations	\$ 4,515,547	\$ -	\$ (81,217)	\$ 4,434,330	\$ 215,887	\$ 4,218,443
Capital lease obligation	<u>593,471</u>	<u>-</u>	<u>(52,547)</u>	<u>540,924</u>	<u>54,637</u>	<u>486,287</u>
Total	5,109,018	-	(133,764)	4,975,254	270,524	4,704,730
Compensated absences	<u>510,835</u>	<u>35,409</u>	<u>(10,338)</u>	<u>535,906</u>	<u>267,483</u>	<u>268,423</u>
Total	<u>\$ 5,619,853</u>	<u>\$ 35,409</u>	<u>\$ (144,102)</u>	<u>\$ 5,511,160</u>	<u>\$ 538,007</u>	<u>\$ 4,973,153</u>
2006						
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Bond obligations	\$ 532,347	\$ 4,060,000	\$ (76,800)	\$ 4,515,547	\$ 81,217	\$ 4,434,330
Capital lease obligation	<u>-</u>	<u>610,000</u>	<u>(16,529)</u>	<u>593,471</u>	<u>52,548</u>	<u>540,923</u>
Total	532,347	4,670,000	(93,329)	5,109,018	133,765	4,975,253
Compensated absences	<u>524,030</u>	<u>27,701</u>	<u>(40,896)</u>	<u>510,835</u>	<u>342,418</u>	<u>168,417</u>
Total	<u>\$ 1,056,377</u>	<u>\$ 4,697,701</u>	<u>\$ (134,225)</u>	<u>\$ 5,619,853</u>	<u>\$ 476,183</u>	<u>\$ 5,143,670</u>

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

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

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

(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2007 and 2006

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

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 215,887	\$ 254,871	\$ 470,758
2009	225,825	191,082	416,907
2010	236,048	180,309	416,357
2011	251,570	169,028	420,598
2012	155,000	160,107	315,107
2013-2017	870,000	701,613	1,571,613
2018-2022	1,100,000	476,600	1,576,600
2023-2027	<u>1,380,000</u>	<u>190,073</u>	<u>1,570,073</u>
Total	<u>\$ 4,434,330</u>	<u>\$ 2,323,683</u>	<u>\$ 6,758,013</u>

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2007:

Year Ending <u>June 30</u>	
2008	\$ 74,996
2009	74,996
2010	74,996
2011	74,996
2012	74,996
2013-2016	<u>262,486</u>
Total minimum lease payment	637,466
Less: amount representing interest	<u>96,542</u>
Present value of future minimum lease payments	<u>\$ 540,924</u>

**NOTE 6 - BOND ANTICIPATION NOTE**

During the year ended June 30, 2006, the College issued a General Receipts Bond Anticipation Note ("Note"), series 2006 for \$3,500,000 that bears interest at 4.15%. Principal and interest are payable in full upon maturity in August 2007. The Note was issued to provide interim construction financing for the Regional Learning Center. Subsequent to June 30, 2007, the College has received capital allocation funds from the state of Ohio to pay for the Note that will become payable in August 2007.

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2007 and 2006

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**NOTE 7 - STATE SUPPORT**

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

In addition to the student subsidies, the State of Ohio provides the funding for construction and renovation of major plant facilities on the College campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission ("OPFC"), which in turn causes the construction and renovation of the facility by the Ohio Board of Regents. Upon completion of a construction project, the Board of Regents turns over control to the College which capitalizes the cost. Renovations are capitalized in the period incurred. During the years ended June 30, 2007 and 2006, the State of Ohio did not fund any such activities.

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

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

**NOTE 8 - LEASE AGREEMENT**

The College currently has a ten-year lease agreement with Darke County Board of Commissioners for the facilities located in Greenville, Ohio. The total rental expense under this agreement was \$94,914 for the years ended June 30, 2007 and 2006.

At June 30, 2007, minimum lease payments under this lease are as follows:

Year Ending	
<u>June 30</u>	
2008	\$ 94,914
2009	94,914
2010	94,914
2011	94,914
2012	<u>7,906</u>
Total minimum lease payment	<u>\$ 387,562</u>

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2007 and 2006

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**NOTE 9 - RETIREMENT PLANS**

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

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

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

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

OPERS plan members are required to contribute 10% of their annual salary, and STRS members contribute 10.0%. The College is required to contribute 13.77% and 14% of annual covered payroll for OPERS and STRS, respectively. The contribution requirements of plan members and the College are established and may be amended by state statute.

The College's contributions to OPERS and STRS for the years ended June 30, 2007, 2006 and 2005 were as follows:

<u>Years</u>	<u>Contribution</u>	
	<u>OPERS</u>	<u>STRS</u>
2007	\$ 445,840	\$ 610,923
2006	437,745	574,148
2005	404,080	580,882

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

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

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(Continued)



EDISON STATE COMMUNITY COLLEGE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2007 and 2006

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**NOTE 10 - RETIREMENT PLANS (Continued)**

Under the provisions of ARP, the required contribution rates of plan participants are 10.0% and 9.5% of employees' covered compensation for employees who would otherwise participate in STRS and OPERS, respectively. The College contributes 8.00% of a participating faculty member's compensation and 7.31% of a participating unclassified staff member's compensation to the participant's account. The College is also required to contribute an additional 3.5% of employees' covered compensation of STRS. Plan participants' contributions were \$70,248 and \$57,886, and the College contributions to the Plan providers amounted to \$81,897 and \$67,674, respectively, for the years ended June 30, 2007 and 2006. In addition, the amounts contributed to STRS by the College on behalf of ARP participants was \$16,905 and \$13,989, respectively, for the years ended June 30, 2007 and 2006.

**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS ("OPEB")**

STRS provides other postemployment benefits to all retirees and their dependents, while OPERS provides postretirement health care coverage to age and service restraints (and dependents) with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 4.5% of the total 14.0% while the OPERS rate was 5.0% of the total 13.77% for the year ended June 30, 2007.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS. Postretirement health care under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to \$3.525 billion as of June 30, 2006. The number of benefit recipients eligible for OPEB was 119,184 for STRS at June 30, 2006. The amount contributed by the College to STRS to fund these benefits was \$196,368 and \$189,044 for the year ended June 30, 2007 and 2006.

Postretirement health care under OPERS is advanced-funded on an actuarially determined basis. The actuarial value of OPERS net assets available for OPEB at December 31, 2006 is \$13.2 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$20.2 billion and \$57.6 billion, respectively. The number of OPERS active contributing participants was 358,804 for the year ended December 31, 2006. For the years ended June 30, 2007 and 2006, the College contributed \$148,152 and \$130,544, respectively, to OPERS for OPEB funding. Contributions equal the actuarially required contributions of the Plan for each year.

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2007 and 2006

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**NOTE 12 - INSURANCE**

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

**NOTE 13 - CONTINGENCIES**

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

**NOTE 14 - RELATED ORGANIZATION**

The Edison Foundation, Inc. (the "Foundation") is a separate not-for-profit entity organized for the purpose of promoting educational activities of the College. Since these resources held by the Foundation can be used only by and for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. The twenty-four-member board of the Foundation is self-perpetuating and consists of graduates and friends of the college.

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

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

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

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(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2007 and 2006

**NOTE 14 - RELATED ORGANIZATION (Continued)**

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

Investments by major types for the years ended June 30, 2007 and 2006 are as follows:

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Unrestricted				
Equity funds	\$ 22,139	\$ 30,914	\$ 43,131	\$ 53,078
Bond funds	14,123	13,974	21,025	20,531
Endowment				
Equity funds	91,207	126,049	86,576	112,400
Bond funds	57,337	56,557	41,633	40,583
Scholarship Endowment				
Equity funds	38,830	49,469	47,320	52,832
Bond funds	24,079	23,823	25,422	24,831
Title III special endowment				
Common stock and equity mutual funds	612,736	744,938	519,446	606,268
US Government, agency obligations, corporate bonds, and bond mutual funds	347,319	346,493	304,924	300,304
Alumni Scholarship				
Equity funds	7,576	7,490	12,251	15,227
Bond funds	12,249	16,760	5,422	5,296
Tri-County Educational				
Equity funds	129,578	178,785	128,736	165,826
US Government, agency obligations, corporate bonds, and mutual funds	78,260	77,855	57,162	56,435
Technology Endowment				
Equity funds	31,276	43,233	31,861	38,902
Bond funds	18,758	18,563	13,775	13,465
Other capital funds				
Equity funds	117,511	150,548	69,492	91,348
Bond funds	71,093	70,489	47,379	46,505
Robinson Scholarship				
Equity funds	36,203	50,376	38,300	47,493
Bond funds	22,167	21,945	17,279	16,899
	<u>\$ 1,732,441</u>	<u>\$ 2,028,261</u>	<u>\$ 1,511,134</u>	<u>\$ 1,708,223</u>

Net realized gains on sale of investments were \$112,122 and \$83,177 and capital gains distributions were \$750 and \$20,411 for the years ended June 30, 2007 and 2006, respectively.

(Continued)

EDISON STATE COMMUNITY COLLEGE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2007 and 2006

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**NOTE 14 - RELATED ORGANIZATION (Continued)**

Pledges receivable: As of June 30, 2007 and 2006, contributors to the Foundation have outstanding unconditional pledges totaling \$2,770,454 and \$1,706,422 respectively. Gross pledges receivable have been discounted to a net present value of \$2,430,282 and 1,571,266 as of June 30, 2007 and 2006, respectively, which represents fair market value. The discount rate was 5% for 2007 and 2006. An allowance for doubtful pledges of \$78,500 has been applied to the gross receivable balance as of June 30, 2007 and 2006. The allowance is based upon management's judgment, past collection experience and other relevant factors. All pledges have been classified as temporarily restricted net assets since they will either expire or be fulfilled within a specified period of time. Gross pledges are as follows:

	<u>2007</u>	<u>2006</u>
Less than one year	\$ 633,922	\$ 462,333
One to five years	1,795,339	1,108,000
More than five years	<u>1,021</u>	<u>933</u>
Total	<u>\$ 2,430,282</u>	<u>\$ 1,571,266</u>

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences. Complete financial statements for the Foundation can be obtained from Edison Community College, 1973 Edison Drive, Piqua, OH 45356.

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**SUPPLEMENTAL INFORMATION**

**EDISON STATE COMMUNITY COLLEGE**  
Board of Trustees and Administrative Personnel  
June 30, 2007

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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	Trustee	2005-2011
Dr. Richard N. Adams	Vice Chairman	2003-2009
Mr. Douglas R. Murray	Trustee	2005-2011
Mrs. Lynda Bliss	Trustee	2003-2009
Mr. Thomas P. Milligan	Chairman	2005-2011
Mrs. Judith K. Hartman	Trustee	2007-2013

(Three trustee seats were pending the Governor's appointment)

<b><u>College Administration</u></b>	<b><u>Title</u></b>
Dr. Kenneth A. Yowell	President
Mrs. Sharon Brown	Interim Vice President, Academic/Student Affairs
Mr. Daniel Reke	Vice President for Administration and Finance
Mr. Darrel Isaacs	Controller
Ms. Sandra Brubaker	Associate Vice President of Enrollment Management and Student Development
Ms. Kathy Richards	Director, Student Financial Aid

**Insurance**

All employees were insured with Indiana Insurance Company for \$500,000. The effective date of the policy is July 1, 2007 to June 30, 2008.

**Legal Counsel**

Elsass, Wallace, Evans, Schnelle & Co., L.P.A.  
Suite 102, Courtview Center  
Post Office Box 499  
Sidney, Ohio 45365-0499

**College Location**

1973 Edison Drive  
Piqua, Ohio 45356

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EDISON STATE COMMUNITY COLLEGE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year ended June 30, 2007

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education		
Direct Student Financial Aid Cluster:		
Federal Supplemental Educational Opportunity Grants	84.007	\$ 48,160
Federal Work Study	84.033	55,048
Federal Pell Grant	84.063	1,963,730
Federal Academic Competitiveness Grant	84.375	2,050
Federal Family Education Loans (Note 2)	84.032	<u>2,635,804</u>
Total student financial aid cluster		<u>4,704,792</u>
Passed Through State of Ohio Department of Education		
Vocational Education	84.048	29,794
Tech Prep	84.243	<u>115,136</u>
Total Passed Through State of Ohio Department of Education		<u>144,930</u>
Total U.S. Department of Education		4,849,722
U.S. Department of Labor		
Passed through State of Ohio Department of Education	17.xxx	51,469
U.S. Department of Health and Human Services		
Passed through the State of Ohio Department of Education		
Temporary Assistance to Needy Families	93.558	<u>44,300</u>
Total Expenditures of Federal Awards		<u>\$ 4,945,491</u>



EDISON STATE COMMUNITY COLLEGE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2007

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**NOTE 1 - BASIS OF PRESENTATION**

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

**NOTE 2 - FEDERAL FAMILY EDUCATION LOAN PROGRAM**

The College participates in the Federal Family Education Loan Program (including Stafford Loans and Supplemental Loans for Students). Loans processed by the College under this Loan Program were the following for the year ended June 30, 2007:

Federal Subsidized Stafford Loans	\$ 1,377,605
Federal Unsubsidized Stafford Loans	1,238,670
Federal Parental Loans for Undergraduate Students	<u>19,529</u>
	<u>\$ 2,635,804</u>

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

**NOTE 3 - TEMPORARY ASSISTANCE FOR NEEDY FAMILIES**

Temporary Assistance to Needy Families, CFDA No. 93.558, represents TEAP fund administered by the Ohio Board of Regents. The program includes commingled federal and state funds and the amount presented on the Schedule of Expenditures of Federal Awards includes both federal and state portions.



Crowe Chizek and Company LLC  
Member Horwath International

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

Board of Trustees  
Edison State Community College  
Piqua, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Edison State Community College a component unit of the State of Ohio, as of and for the year ended June 30, 2007, which collectively comprise the College's basic financial statements and have issued a report thereon dated the same date as this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

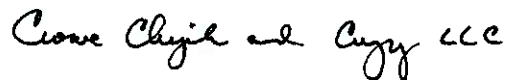
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We have communicated other matters involving internal control over financial reporting to the management of the College in a separate letter dated the same date as this report.

This report is intended for the information of the management of Edison State Community College, its Board of Trustees, the Ohio Auditor of State, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe Chizek and Company LLC

Columbus, Ohio  
October 12, 2007



Crowe Chizek and Company LLC  
Member Horwath International

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

Board of Trustees  
Edison State Community College  
Piqua, Ohio

### Compliance

We have audited the compliance of Edison State Community College with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Edison State Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

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(Continued)

## Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Example Entity's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

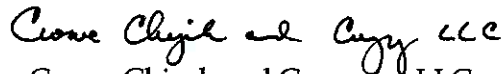
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We have communicated other matters involving compliance to the management of the College in a separate letter dated the same date as this report.

This report is intended for the information of the management of Edison State Community College, its Board of Trustees, the Ohio Auditor of State, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe Chizek and Company LLC

Columbus, Ohio  
October 12, 2007

EDISON STATE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2007

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**PART I: SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued	<u>Unqualified</u>	_____		
Internal control over financial reporting: Material weakness(es) identified?	_____	Yes	<u>  X  </u>	No
Significant deficiency identified not considered to be material weaknesses?	_____	Yes	<u>  X  </u>	None Reported
Noncompliance material to financial statements noted?	_____	Yes	<u>  X  </u>	No

**Federal Awards**

Internal control over major programs: Material weakness(es) identified?	_____	Yes	<u>  X  </u>	No
Significant deficiency identified not considered to be material weakness(es)?	_____	Yes	<u>  X  </u>	None Reported
Type of auditors' report issued on compliance for major programs	<u>Unqualified</u>		_____	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))?	_____	Yes	<u>  X  </u>	No

Identification of major programs:

<u>CFDA Number(s)</u>	<i>Name of Federal Program or Cluster Number</i>
84.063	Total Federal Student Aid (consisting of):
84.033	Federal Pell Grant Program
84.007	Federal Work Student Program
84.375	Federal Supplemental Educational Opportunity Grant Program
84.032	Academic Competitiveness Grant
	Federal Family Education Loan Program

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

Auditee qualified as low-risk auditee?	_____	Yes	<u>  X  </u>	No
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EDISON STATE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2007

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**PART II - FINANCIAL STATEMENT FINDINGS**

None

**PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

EDISON STATE COMMUNITY COLLEGE  
SCHEDULE OF RESOLUTION OF PRIOR YEAR AUDIT FINDINGS  
June 30, 2007

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**FINDING 06-01 - Federal Family Education Loan Program (CFDA No. 84.032) Pell Grant Program (CFDA No. 84.063)**

During our testing of 40 student files, the return of Title IV funds occurred past the thirty-day requirement for nine students.

**Status:** Corrective action has been taken.





**Mary Taylor, CPA**  
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  
DECEMBER 11, 2007**