EDISON STATE COMMUNITY COLLEGE

ANNUAL REPORT

June 30, 2009 and 2008

Mary Taylor, CPA
Auditor of State

Board of Trustees
Edison State Community College
1973 Edison Drive
Piqua, Ohio 454336

We have reviewed the *Independent Auditor's Report* of the Edison State Community College, Miami County, prepared by Crowe Horwath LLP, for the audit period July 1, 2008 through June 30, 2009. 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 16, 2009

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EDISON STATE COMMUNITY COLLEGE
Piqua, Ohio

ANNUAL REPORT
June 30, 2009 and 2008

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Crowe Horwath LLP
Member Crowe 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, 2009 and 2008, 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 opinions 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 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 Edison State Community College as of June 30, 2009 and 2008, and the respective changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

(Continued)

In accordance with *Government Auditing Standards,* we have also issued a report dated October 16, 2009, 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. The Schedule of Board of Trustees and Administrative Personal on page 33 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 16, 2009

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, 2009 and 2008. 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, 2009, College's revenues and other support exceeded expenses, creating an increase in net assets of $267,200, and the cash position of the College increased $439,343.

The increase in the net assets is attributable to increased revenues from higher enrollment and higher support from the State of Ohio. The College also pursued aggressive cost cutting in 2009 as well.

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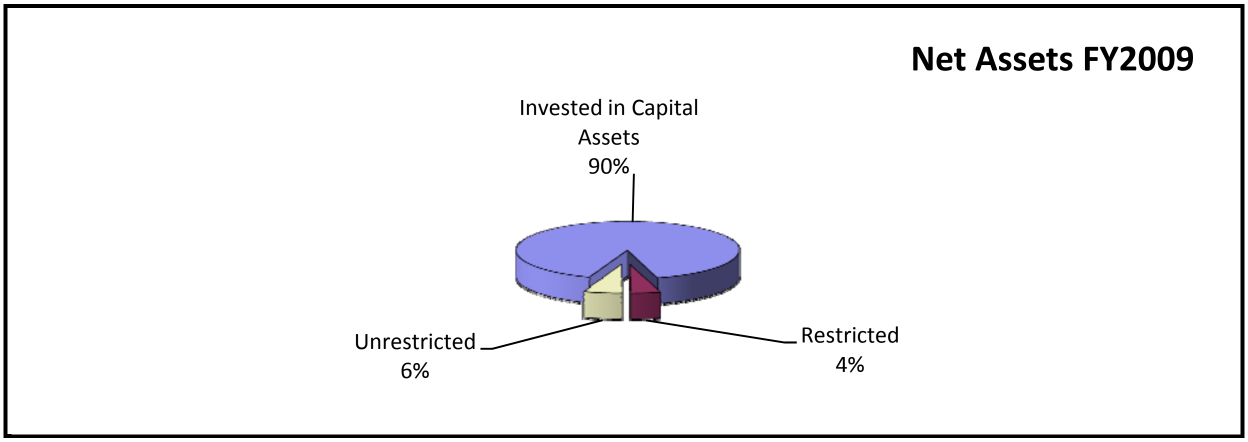
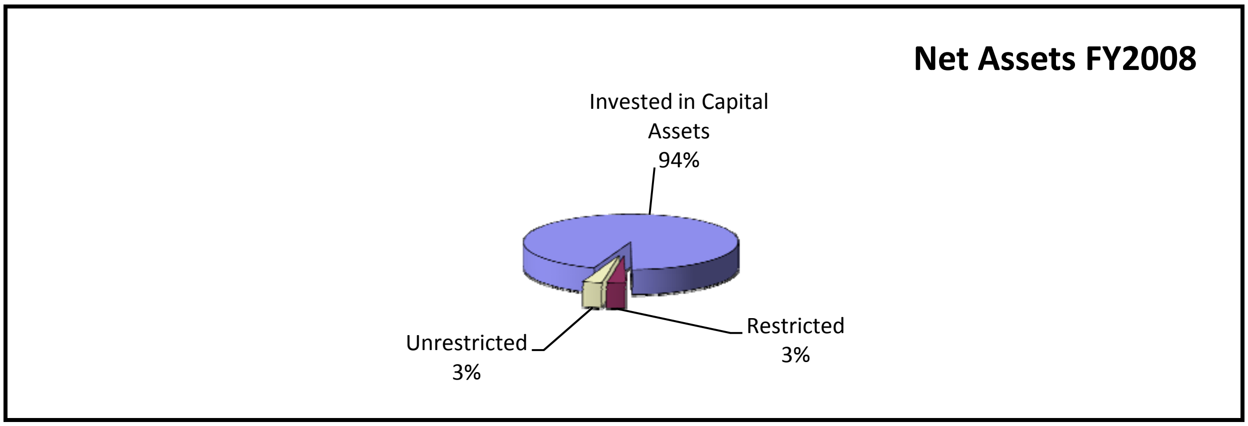
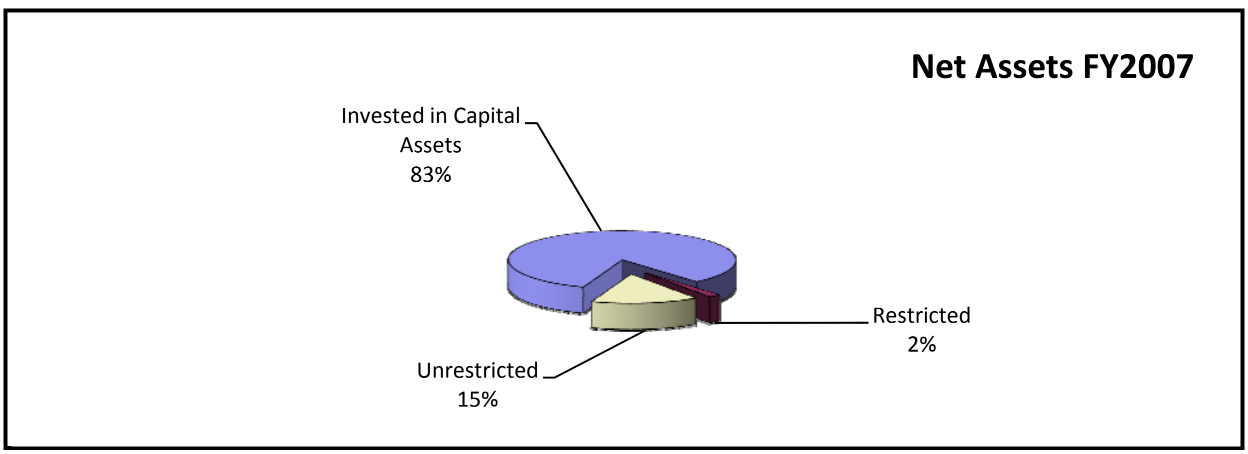
The following charts provide a graphical breakdown of net assets by category for the fiscal years ended June 30, 2009, 2008 and 2007.







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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. As a result of increased state appropriations, enrollment growth, and prudent spending, the College's financial position was stronger at June 30, 2009.

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, 2009, 2008 and 2007:

	2009	2008	2007
Current assets	$ 6,441,499	$ 5,740,589	$ 10,549,684
Noncurrent assets			
Capital assets, net	18,809,707	19,493,985	18,496,510
Other	10,000	210,000	409,000
Total assets	$ 25,261,206	$ 25,444,574	$ 29,455,194
Current liabilities	$ 4,902,188	$ 4,960,201	$ 7,764,949
Noncurrent liabilities	4,402,453	4,795,008	4,973,153
Total liabilities	9,304,641	9,755,209	12,738,102
Net assets			
Invested in capital assets – net of related debt	14,387,612	14,789,255	13,894,384
Restricted	681,159	447,416	287,211
Unrestricted	887,794	452,694	2,535,497
Total net assets	15,956,565	15,689,365	16,717,092
Total liabilities and net assets	$ 25,261,206	$ 25,444,574	$ 29,455,194

(Continued)

	Years ended June 30		
	2009	2008	2007
Operating revenues			
Student tuition and fees	$ 5,850,789	$ 5,647,163	$ 5,899,280
Federal grant and contracts	869,230	1,329,224	308,444
State and local grants and contracts	316,217	265,140	151,278
Auxiliary enterprises-bookstore	1,392,864	1,284,961	1,305,611
Other operating revenues	196,815	383,371	240,012
Total operating revenues	8,625,915	8,929,859	7,904,625
Operating expenses			
Educational and general instruction			
Instruction	7,335,843	7,381,312	7,057,638
Public service	798,127	704,851	735,047
Academic support	454,045	410,861	382,682
Student services	2,466,215	3,006,322	1,945,186
Institutional support	4,354,275	4,189,730	3,904,068
Plant operations and maintenance	1,354,197	1,600,236	956,867
Depreciation	1,060,682	924,161	588,561
Student aid	512,568	413,665	516,721
Auxiliary enterprises-bookstore	979,329	1,082,137	991,280
Total operating expenses	19,315,281	19,713,275	17,078,050
Operating loss	(10,689,366)	(10,783,416)	(9,173,425)
Nonoperating revenues (expenses) and other revenues			
State appropriations	7,232,364	6,631,254	6,343,144
Federal grants and contracts	2,868,084	2,180,053	1,972,000
Interest expense	(208,258)	(202,486)	(139,002)
Other nonoperational revenue	513,305	508,374	452,696
Capital grants	289,511	283,946	475,276
Capital appropriations	261,560	354,548	3,375,000
Total nonoperating revenues (expenses) and other revenues	10,956,566	9,755,689	12,479,114
Change in net assets	$ 267,200	$ (1,027,727)	$ 3,305,689

(Continued)

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 had a significant impact on fiscal year 2009 operating revenue:

- Student tuition and fees revenue per credit hour remained at the same rate as in fiscal year 2008. However, enrollment for the 2008/2009 academic year increased by 9.4% over the prior year.
- In addition, much of the enrollment growth was experienced in technology-related courses, resulting in higher laboratory fee revenue.
- Federal grant and contract revenue decreased by 36%, or $479,994, primarily due to lower revenue from the Department of Labor Community Based Job Training Grant which had correspondingly lower expenses.

The following factors had a significant impact on fiscal year 2008 operating revenue:

- Student tuition and fees revenue per credit hour remained at the same rate as in fiscal year 2007.
- State and local grants increased 75%, primarily due to the generosity of local foundations that contributed funds for advanced technology to be used in the College's new nursing laboratories.
- Federal grant and contract revenue increased by $1,040,780, with a majority of these funds from the Department of Labor Community Based Job Training Grant.

The following factors had a significant impact on 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.

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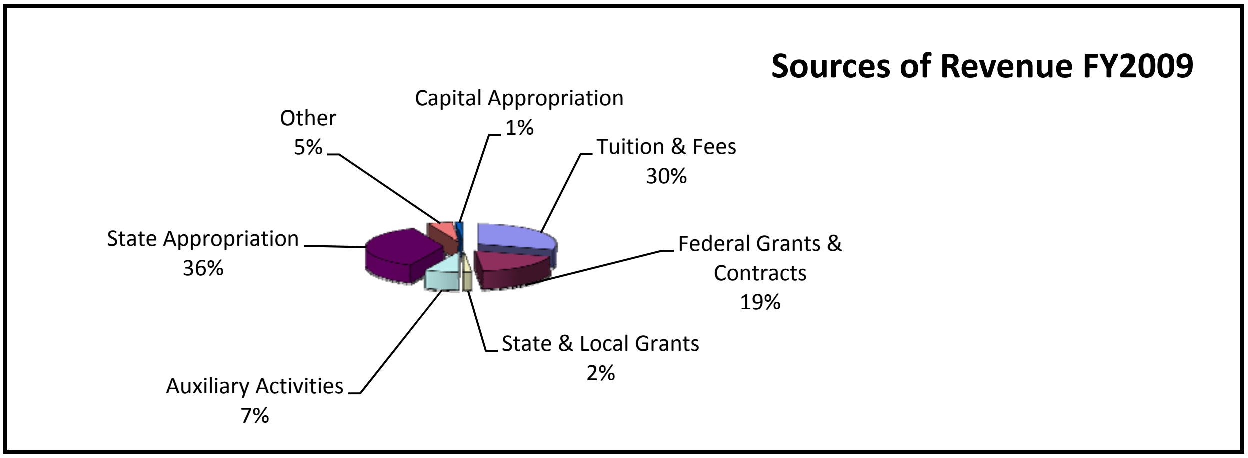
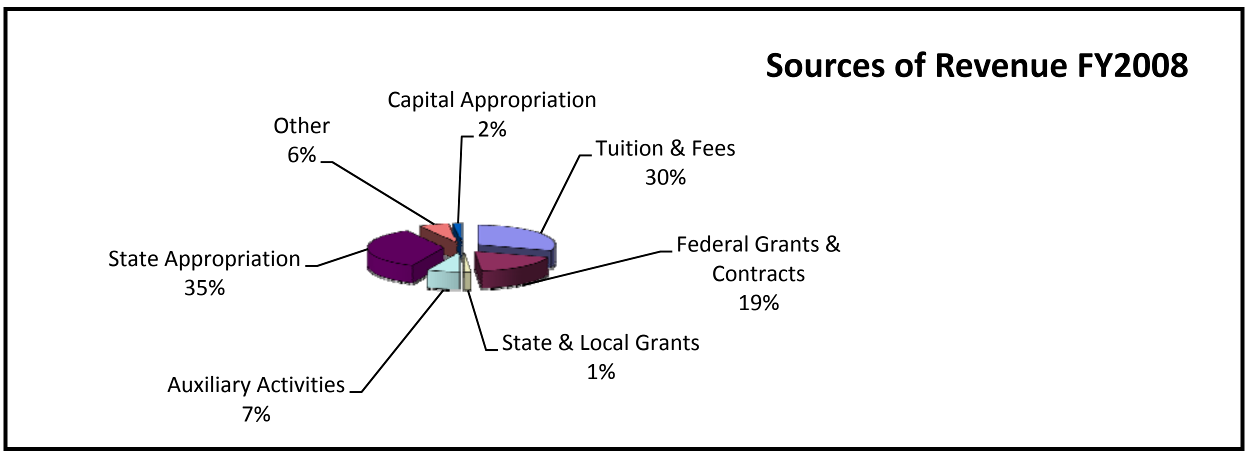
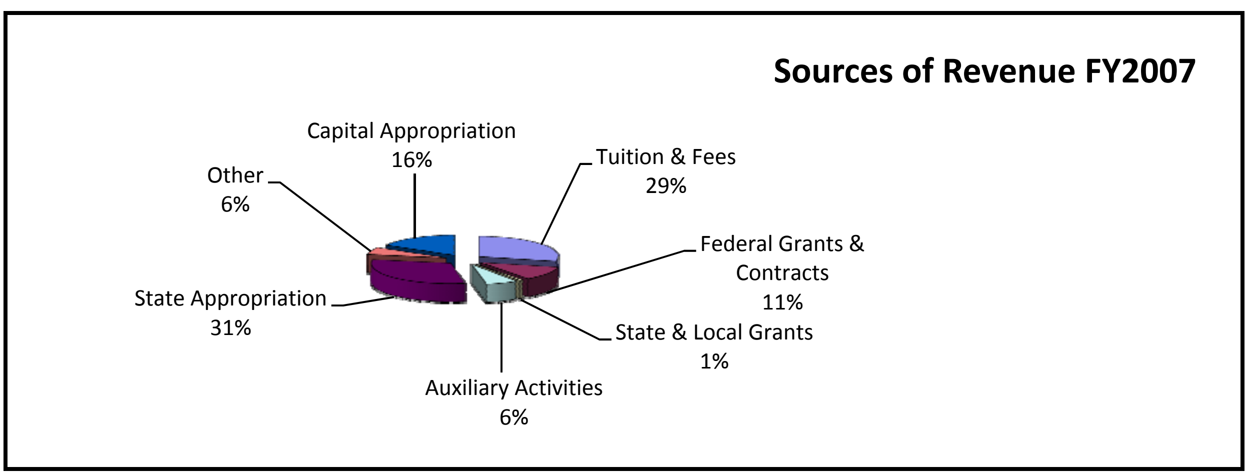
The following is a graphic illustration of total revenues by source:







Operating Expenses

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

Fiscal year 2009 expenses were affected by the following:

- Increase in salary and wages of 3% for administrative and classified personnel.
- Increase in faculty salaries of 3.25% and a 1% contractual bonus paid to faculty for enrollment growth.
- Hiring three additional Nursing Department faculty to increase the number of students that the department can educate.
- Establishing a Physical Therapy Assisting Program and hiring personnel.
- Aggressive cost management and containment to lower expenses.
- Student services spending decreased by 18%. That was primarily due to a $517,860 reduction in expenses for a Department of Labor Community Based Job Training Grant.

Fiscal year 2008 expenses were affected by the following:

- Increase in salary and wages of 3% for classified staff or $45,139 from prior year.
- Increase in salary and wages of 2% for faculty or $58,107 from prior year.
- Increase in salary and wages of 1% for administrative staff or $ 33,805 from prior year.
- Student services expenses increased 55% due to increased grant activity. That was primarily the result of a Department of Labor, Community Based Job Training Grant that experienced increased spending as its activity ramped up in 2008. Approximate half of that grant funding was for one-time purchases of training equipment and material.

Fiscal year 2007 expenses were affected by the following:

- Increase in salary and wages of 3% or $448,972 from prior year.
- Student services expenses increased by 8% due to increased grant activity.

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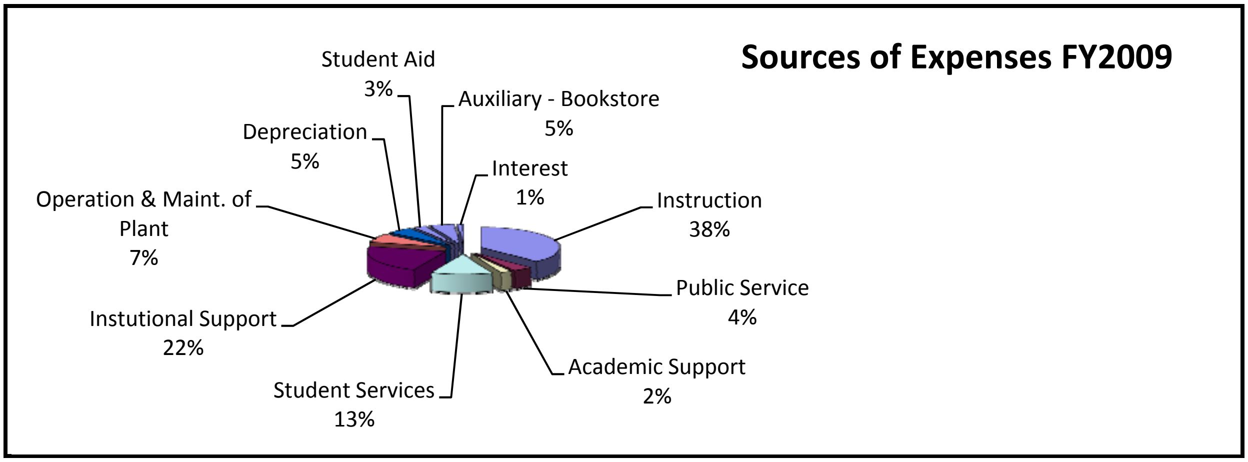
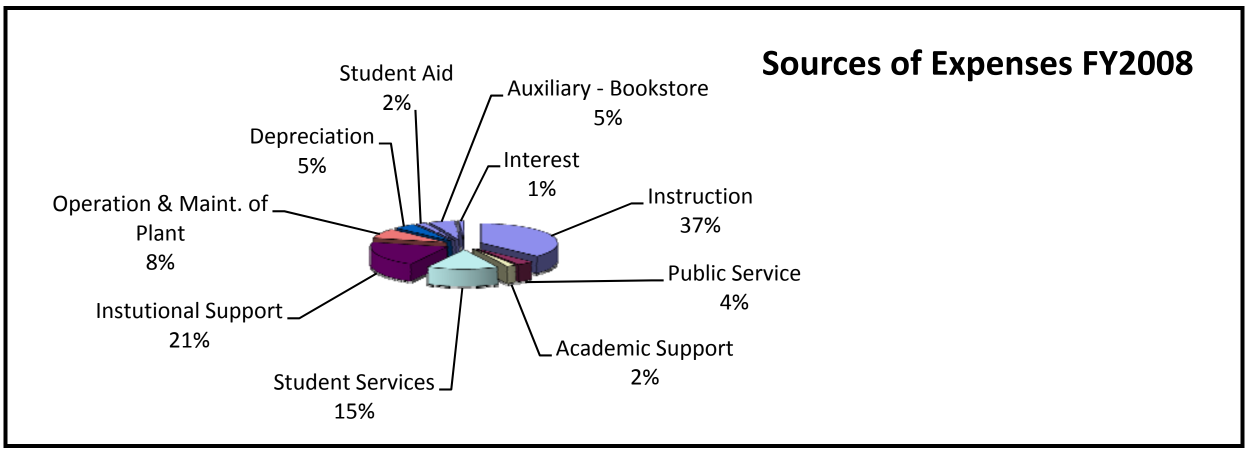
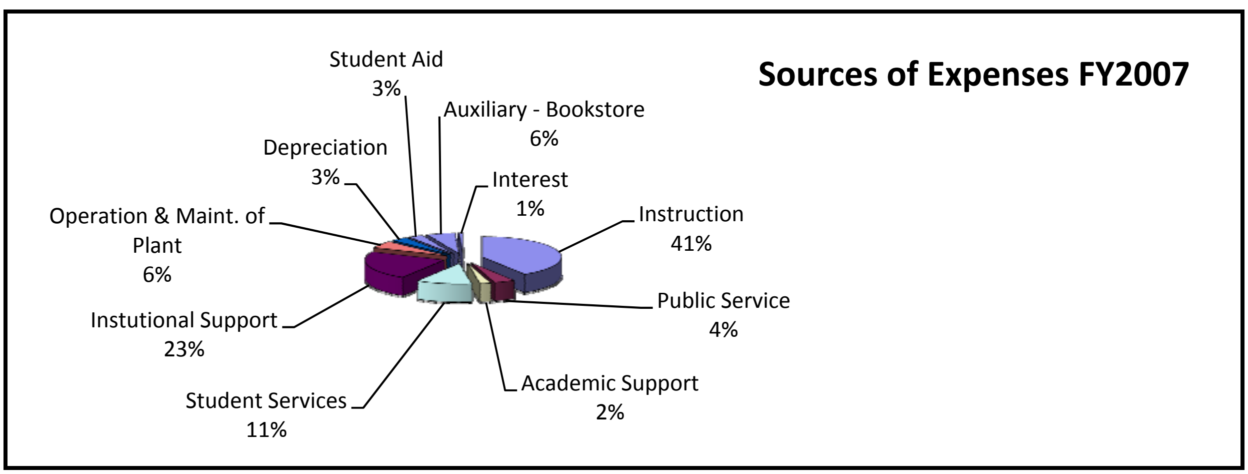
The following is a graphic illustration of total expenses by function:







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Nonoperating and Other Revenues

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

Fiscal year 2009 nonoperating and other revenue was significantly affected by the following factors:

- Annual state appropriations (State Share of Instruction, Access Challenge, Incentive Funding, and Performance Funding) increased by 9.1% or $601,110 from the prior year as a result of the State's continuing commitment to funding higher education.
- Capital subsidies including Capital Allocation, and Basic Renovation funds totaled $551,071.
- Investment income was 93% lower in 2009 due to lower cash balances and the fact that the College's investments are primarily invested in low-risk, cash equivalents which yielded less than 1%/year in 2009.

Fiscal year 2008 non-operating and other revenue was significantly affected by the following factors:

- Annual, state appropriations (State Share of Instruction, Access Challenge, Incentive Funding, and Performance Funding) increased by 4.5% or $288,110 from the prior year.
- Capital subsidies including Capital Allocation, and Basic Renovation funds totaled $638,494.
- Investment income was 83% lower in 2008 because the College completed the Regional Centers for Excellence (Emerson Center) project and no longer had the construction fund on account and earning interest.

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

- Annual, state appropriations (State Share of Instruction, Access Challenge, Incentive Funding, and Performance Funding) increased by only $139,248, or 2.2% from the prior year.
- Capital subsidies including Capital Allocation, Capital Appropriation, and Basic Renovation funds totaled $3,850,276. $3,375,000 of that was a capital appropriation for the Regional Centers of Excellence (Emerson Center) facilities project.
- Investment income was 40% higher in 2007 as a result of the interest earned on the construction funds for the Regional Centers for Excellence (Emerson Center) project.

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Statement of Cash Flows

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

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

Cash Flows for the Years Ended June 30, 2009, 2008 and 2007

	2009	2008	2007
Cash provided by (used in):			
Operating activities	$ (10,343,881)	$ (8,922,406)	$ (8,789,672)
Noncapital financing activities	10,609,856	9,263,913	8,442,991
Capital and related financing activities	(316,226)	(5,256,152)	(4,003,878)
Investing activities	489,594	3,622,969	4,091,081
Net increase (decrease) in cash and cash equivalents	439,343	(1,291,676)	(259,478)
Cash and cash equivalents – beginning of year	793,033	2,084,709	2,344,187
Cash and cash equivalents – end of year	$ 1,232,376	$ 793,033	$ 2,084,709

(Continued)

Capital Assets

At June 30, 2009, the College had $18.8 million invested in capital assets, net of accumulated depreciation of $12.2 million. Depreciation charges totaled approximately $1.1 million for the current fiscal year, $0.9 million for 2008 and $0.6 million for 2007. The net book value of capital assets at June 30, 2009, 2008 and 2007 is as follows:

	June 30		
	2009	2008	2007
Land, land improvement	$ 779,614	$ 801,420	$ 812,764
Building and improvements	6,314,802	6,647,847	5,157,249
Student conference center	3,892,419	4,062,028	4,232,782
Center for Excellence	6,798,318	6,938,882	6,521,888
Equipment	945,558	1,032,874	975,689
Vehicles	5,925	10,934	18,959
Regional Learning Center work in progress	73,071	-	777,179
Total	$ 18,809,707	$ 19,493,985	$ 18,496,510

Long-Term Debt

The College currently has bonds payable which consist of a 5.75% series 2000 Revenue Bond due December 2010 and a 4.0% series 2006 General Receipts Bond due December 2026. Scheduled interest and principal payments have been made on the bonds.

For more detailed information on current outstanding debt, see Footnote 5 and 6 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 downturn in the State of Ohio's economy which has resulted in more people returning to college to expand their education or retraining to improve their employability. Furthermore, the State of Ohio has increased its support of state colleges and universities for the second year in a row with the caveat that those institutions of higher learning hold their tuition at (academic year) 2006 levels. As a result of those two forces, in Fiscal Year 2009, the College experienced its first increase in enrollment since the 2004 fiscal year, resulting in a 10.4% increase in student tuition and fees since fiscal year 2008. Together, student tuition/fees and state appropriations represent approximately 60-68% of the College's annual revenue. The total student tuition fees and state appropriations increase of $1,391,359 in 2009 was very beneficial to the College's financial well-being. Although total revenues were up significantly in 2009, the College continued to drive costs down in 2009.

The most significant economic challenge facing the College at the end of fiscal year 2009 was the delayed payment of Post-Secondary Enrollment Options Program ("PSEOP") student tuition and fees. Under the Post-Secondary Enrollment Options Program, Ohio high school students may register for classes at a college or university and simultaneously receive college credit and credit at their local high schools for corresponding courses. That enables bright, ambitious, high school students to begin their college careers while still in high school. It also enables them and their parents to save a significant amount of money, because the college tuition and related expenses are paid by the Ohio Department of Education directly to the college. Due to the excellent cooperation between the high school guidance counselors in the College's service area, the school administrators and the College's Admissions Department, the College has the highest enrollment of PSEOP students as a percentage of total enrollment of any college or university in the State of Ohio. Consequently, that also means that a significant portion of the College's revenue is from that same program. Unfortunately, payment for this program from the Ohio Department of Education is not made until October of the following fiscal year creating a large account receivable. That delay in receipt of a significant portion of the College's revenue creates a temporary but challenging cash-flow problem for the College.

For fiscal year 2010, the College is anticipating significant additional growth over 2009 and a modest 2.5% increase in State Share of Instruction subsidy. However, that increase in subsidy is in jeopardy as fiscal year 2010 begins due to the continued decline of state tax revenues which might force the state government to make mid-year budget cuts. As a result of that uncertainty and the continuing impact of delayed PSEOP tuition payments, the College has budgeted conservatively for fiscal year 2010 and will continue to carefully manage costs.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
Years ended June 30, 2009 and 2008

	College 2009	College 2008	College Related Foundation 2009	College Related Foundation 2008
Assets				
Current assets				
Cash and cash equivalents	$ 1,232,376	$ 793,033	$ -	$ -
Investments	27,928	313,625	-	-
Accounts and pledges receivable (net)	4,745,409	4,202,248	491,651	556,153
Prepaid expenses and other	154,616	181,853	6,632	9,972
Inventories	281,170	249,830	-	-
Total current assets	6,441,499	5,740,589	498,283	566,125
Noncurrent assets				
Accounts and pledges receivable (net)	10,000	10,000	772,640	1,268,668
Restricted cash deposits	-	-	2,098,693	1,428,625
Investments	-	200,000	870,891	1,850,253
Capital assets (net)	18,809,707	19,493,985	-	-
Total noncurrent assets	18,819,707	19,703,985	3,742,224	4,547,546
Total assets	$ 25,261,206	$ 25,444,574	$ 4,240,507	$ 5,113,671
Liabilities and net assets				
Current liabilities				
Accounts payable and accruals	$ 343,207	$ 932,799	$ 21,016	$ 42,121
Accrued salaries, wages, and benefits	946,461	789,510	-	-
Deferred revenues	3,317,404	2,955,257	-	-
Capital lease obligation, current	59,068	56,810	-	-
Long term debt, current	236,048	225,825	-	-
Total current liabilities	4,902,188	4,960,201	21,016	42,121
Noncurrent liabilities				
Accrued salaries, wages, and benefits	275,474	372,913	-	-
Capital lease obligation	370,409	429,477	-	-
Long term debt	3,756,570	3,992,618	-	-
Other liability	-	-	100,000	100,000
Total liabilities	9,304,641	9,755,209	121,016	142,121
Net Assets				
Invested in capital assets – net of related debt	14,387,612	14,789,255	-	-
Restricted – expendable	669,974	436,704	3,686,698	4,287,256
Restricted – nonexpendable	11,185	10,712	93,882	65,845
Unrestricted	887,794	452,694	338,911	618,549
Total net assets	15,956,565	15,689,365	4,119,491	4,971,550
Total liabilities and net assets	$ 25,261,206	$ 25,444,574	$ 4,240,507	$ 5,113,671

See accompanying notes to consolidated financial statements.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2009 and 2008

	College 2009	College 2008	College Related Foundation 2009	College Related Foundation 2008
Operating revenue				
Student tuition and fees	$ 8,416,962	$ 7,626,713	$ -	$ -
Less grants and scholarships	(2,566,173)	(1,979,550)	-	-
Net student tuition and fees	5,850,789	5,647,163	-	-
Federal grants and contracts	869,230	1,349,224	-	-
State and local grants and contracts	316,217	265,140	-	-
Auxiliary enterprises – bookstore, net of grants and scholarships of $456,509 and $327,008 in 2009 and 2008, respectively	1,392,864	1,284,961	-	-
Gifts	-	-	186,845	208,326
Other operating revenue	196,815	383,371	-	-
Total revenues, gains and other support	8,625,915	8,929,859	186,845	208,326
Operating Expenses				
Instruction	7,335,843	7,381,312	-	-
Public service	798,127	704,851	-	-
Academic support	454,045	410,861	-	-
Student services	2,466,215	3,006,322	-	-
Institutional support	4,354,275	4,189,730	242,507	246,235
Plant operations and maintenance	1,354,197	1,600,236	-	-
Depreciation	1,060,682	924,161	-	-
Student aid	512,568	413,665	-	-
Auxiliary enterprises	979,329	1,082,137	-	-
Total operating expenses	19,315,281	19,713,275	242,507	246,235
Operating loss	(10,689,366)	(10,783,416)	(55,662)	(37,909)
Nonoperating revenues (expenses)				
Federal grants and contracts	2,868,084	2,180,053	-	-
State appropriations	7,232,364	6,631,254	-	-
Gifts, including $492,980 and $423,332 from Foundation for 2009 and 2008, respectively	509,408	452,606	44,425	441,765
Investment income, net of expense	3,897	55,768	(347,842)	(76,008)
Interest expense	(208,258)	(202,486)	-	-
Transfer from Edison Foundation	-	-	(492,980)	(423,332)
Total nonoperating revenues (expenses)	10,405,495	9,117,195	(796,397)	(57,575)
Income (loss) before other revenues, expenses, gains, or losses	(283,871)	(1,666,221)	(852,059)	(95,484)
Capital grants	289,511	283,946	-	-
Capital appropriation	261,560	354,548	-	-
Total other revenues	551,071	638,494	-	-
Change in net assets	267,200	(1,027,727)	(852,059)	(95,484)
Net assets at beginning of year	15,689,365	16,717,092	4,971,550	5,067,034
Net assets at end of year	$ 15,956,565	$ 15,689,365	$ 4,119,491	$ 4,971,550

See accompanying notes to consolidated financial statements.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOW
Years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Student tuition and fees	$ 6,025,310	$ 5,965,799
Grants and contracts	878,159	1,399,766
Payments to vendors and employees	(18,788,782)	(17,943,337)
Auxiliary enterprise	1,392,864	1,284,961
Other receipts	148,568	370,405
Net cash from operating activities	(10,343,881)	(8,922,406)
Cash flows from non-capital financing activities		
State appropriations	7,232,364	6,631,254
Federal grants and contracts	2,868,084	2,180,053
Gifts	509,408	452,606
Net cash from non-capital financing activities	10,609,856	9,263,913
Cash flows from capital and related financing activities		
Capital grants	289,511	283,946
Capital appropriations	261,560	354,548
Purchases of capital assets	(376,404)	(1,921,636)
Interest paid on outstanding debt	(208,258)	(202,486)
Principal paid on outstanding debt	(282,635)	(3,770,524)
Net cash from capital and related financing activities	(316,226)	(5,256,152)
Cash flows from investing activities		
Proceeds from maturities of investments	485,697	3,567,201
Interest on investments	3,897	55,768
Net cash from investing activities	489,594	3,622,969
Net change in cash and cash equivalents	439,343	(1,291,676)
Cash and cash equivalents, beginning of year	793,033	2,084,709
Cash and cash equivalents, end of year	$ 1,232,376	$ 793,033
Reconciliation of operating loss to net cash from operating activities		
Operating loss	$ (10,689,366)	$ (10,783,416)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	1,060,682	924,161
Changes in assets and liabilities:		
Accounts receivable	(543,161)	191,589
Inventories	(31,340)	(35,853)
Prepaid expenses and other	27,237	(6,518)
Accounts payable and accruals	(589,592)	622,393
Accrued salaries, wages, and benefits	59,512	265,755
Deferred student fee income	362,147	(100,517)
Net cash from operating activities	$ (10,343,881)	$ (8,922,406)

See accompanying notes to consolidated financial statements.

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.

(Continued)

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 and recent updates in GASB's *Implementation Guide*, including state appropriations, investment income, and state capital grants.

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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 revenues, expenses, and changes in net assets.

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

The College's capitalization limit for equipment and furniture and fixtures 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Adoption of New Accounting Pronouncements: In fiscal year 2008, the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* and Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, became effective. GASB Statement No. 45 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. This statement was implemented prospectively. GASB Statement No. 50 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. Adopting these statements had no effect on the College's financial statements.

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participation in pollution remediation activities such as site assessments and cleanups. This statement became effective in fiscal year 2009.

In November, 2007, GASB issued Statement No, 52, *Land and Other Real Estate Held as Investments by Endowments*. The Statement established consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. This statement became effective in fiscal year 2009.

Adoption of these statements had no effect on the College's current period financial statements.

Recent Accounting Pronouncements: In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software to reduce inconsistencies. The College will be required to implement this statement in fiscal year 2010.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local Governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investments tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), forward contracts, and futures contracts. The College will be required to implement this statement in fiscal 2010.

The above GASB statements are not expected to have an impact on the financial statements of the College because the College currently has no intangible assets or derivative instruments.

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. These reclassifications had no impact on the change in net assets or total net assets.

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.

(Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash and cash equivalents: At June 30, 2009, the carrying amounts of the College's cash and cash equivalents was $1,232,376 (included in cash and cash equivalents in the balance sheet) and the bank balances were $1,400,389. The differences between carrying amounts and bank balances are primarily due to outstanding checks and deposits in transit at June 30, 2009. 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 $1,372,461. The remaining balances of $27,928 were uninsured and were held in accounts collateralized by a pooled collateral account at the Federal Home Loan Bank of Cincinnati 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 $27,928. The College's investments include $27,928 invested in a certificates of deposit. Included in cash and cash equivalents is $12,198 which 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, 2009. STAR Ohio has a AAA rating.

The fair value and cost of deposits and investments, by type, at June 30, 2009 and 2008 are as follows:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	$ 1,220,178	$ 1,220,178	$ 582,254	$ 582,254
STAR Ohio	12,198	12,198	410,779	410,779
Certificates of deposit	27,928	27,928	313,625	313,625
	$ 1,260,304	$ 1,260,304	$ 1,306,658	$ 1,306,658

(Continued)

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2009 and 2008, consist of billings for student fees and receivables arising from grants and are summarized as follows:

	2009	2008
Student charges	$ 3,104,795	$ 2,967,619
Post secondary enrollment options program	1,300,611	1,174,456
Other	665,676	275,846
Non current receivable	10,000	10,000
Allowance for doubtful accounts	(325,673)	(215,673)
	$ 4,755,409	$ 4,212,248

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in the capital assets and related accumulated depreciation during the 2009 and 2008 fiscal year:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
Cost:				
Land	$ 688,414	$ -	$ -	$ 688,414
Land improvements	569,075	-	-	569,075
Buildings and improvements	12,716,656	17,926	-	12,734,582
Student conference center	6,208,972	-	-	6,208,972
Center for Excellence	7,114,952	23,551	-	7,138,503
Equipment	3,212,626	261,856	-	3,474,482
Vehicles	80,162	-	-	80,162
Capital work in progress	-	73,071	-	73,071
	30,590,857	376,404	-	30,967,261
Less accumulated depreciation:				
Land improvements	456,069	21,806	-	477,875
Building and improvements	6,068,809	350,971	-	6,419,780
Student conference center	2,146,944	169,609	-	2,316,553
Center for Excellence	176,070	164,115	-	340,185
Equipment	2,179,752	349,172	-	2,528,924
Vehicles	69,228	5,009	-	74,237
	11,096,872	1,060,682	-	12,157,554
Capital assets—net	$ 19,493,985	$ (684,278)	$ -	$ 18,809,707

(Continued)

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
Cost:				
Land	$ 688,414	$ -	$ -	$ 688,414
Land improvements	561,420	7,655	-	569,075
Buildings and improvements	10,906,633	1,810,023	-	12,716,656
Student conference center	6,208,972	-	-	6,208,972
Center for Excellence	6,546,142	568,810	-	7,114,952
Equipment	2,900,299	312,327	-	3,212,626
Vehicles	80,162	-	-	80,162
Library books	1,508,716	-	(1,508,716)	-
Capital work in progress	777,179	(777,179)	-	-
	30,177,937	1,921,636	(1,508,716)	30,590,857
Less accumulated depreciation:				
Land improvements	437,070	18,999	-	456,069
Building and improvements	5,749,384	319,425	-	6,068,809
Student conference center	1,976,190	170,754	-	2,146,944
Center for Excellence	24,254	151,816	-	176,070
Equipment	1,924,615	255,137	-	2,179,752
Vehicles	61,203	8,025	-	69,228
Library books	1,508,711	5	(1,508,716)	-
	11,681,427	924,161	(1,508,716)	11,096,872
Capital assets - net	$ 18,496,510	$ 997,475	$ -	$ 19,493,985

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

(Continued)

NOTE 5 - NONCURRENT LIABILITIES

Noncurrent liabilities as of June 30, 2009 and 2008 are summarized as follows:

2009	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond obligations	$ 4,218,443	$ -	$ (225,825)	$ 3,992,618	$ 236,048	$ 3,756,570
Capital lease obligation	486,287	-	(56,810)	429,477	59,068	370,409
Total	4,704,730	-	(282,635)	4,422,095	295,116	4,126,979
Compensated absences	617,855	65,620	(19,223)	664,252	388,778	275,474
Total	$ 5,322,585	$ 65,620	$ (301,858)	$ 5,086,347	$ 683,894	$ 4,402,453

2008	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond obligations	$ 4,434,330	$ -	$ (215,887)	$ 4,218,443	$ 225,825	$ 3,992,618
Capital lease obligation	540,924	-	(54,637)	486,287	56,810	429,477
Total	4,975,254	-	(270,524)	4,704,730	282,635	4,422,095
Compensated absences	535,906	133,452	(51,503)	617,855	244,942	372,913
Total	$ 5,511,160	$ 133,452	$ (322,027)	$ 5,322,585	$ 527,577	$ 4,795,008

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 an information management system.

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 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 3.907% over a 10 year term ending in 2015.

(Continued)

NOTE 5 - NONCURRENT LIABILITIES (Continued)

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

Year Ending June 30	Principal	Interest	Total
2010	$ 236,048	$ 180,309	$ 416,357
2011	251,570	169,028	420,598
2012	155,000	160,107	315,107
2013	160,000	153,908	313,908
2014	165,000	147,507	312,507
2015-2019	955,000	622,837	1,577,837
2020-2024	1,210,000	365,507	1,575,507
2025-2026	860,000	78,527	938,527
Total	$ 3,992,618	$ 1,877,730	$ 5,870,348

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, 2009:

Year Ending June 30	
2010	$ 74,996
2011	74,996
2012	74,996
2013	74,996
2014	74,996
2015-2016	112,494
Total minimum lease payment	487,474
Less: amount representing interest	57,997
Present value of future minimum lease payments	$ 429,477

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 bore an interest rate of 3.85%. Proceeds were used for paying construction costs of the Regional Learning Center. The Note was repaid in full in April of 2007 with funds from a second General Receipts Bond Anticipation Note issued that same month. The second Note bore an interest rate of 4.625%, and it was repaid in full in August 2007 with capital appropriation funds received from the State of Ohio.

(Continued)

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 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. In 2008, two 30-year-old boilers were replaced, external masonry was renovated by tuck-pointing, and the fire-suppression system in our data room was renovated. In 2009, voice and data switches were replaced to update and renovate our information network.

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 $103,542 for the years ended June 30, 2009 and 2008.

At June 30, 2009, minimum lease payments under this lease are as follows:

Year Ending June 30	
2010	$ 103,542
2011	103,542
2012	8,629
Total minimum lease payment	$ 215,713

(Continued)

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 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

The Ohio Revised Code provides statutory authority for employee and employer contributions. Effective January 1, 2008 the employee contribution rate was 10% for employees other than law enforcement. Effective January 1, 2008 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.

The College's contributions to OPERS and STRS for the years ended June 30, 2009, 2008 and 2007 were as follows:

	Contribution	
Years	OPERS	STRS
2009	$ 496,259	$ 622,310
2008	492,596	613,367
2007	445,840	610,923

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

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

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Under the provisions of ARP, the required contribution rates of plan participants is 10.0%of employees' covered compensation for employees who would otherwise participate in STRS and OPERS. The College contributes 10.5% of a participating faculty member's compensation and 13.23% 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 to STRS and .77% of employees' covered compensation to OPERS. Plan participants' contributions to STRS and OPERS were $63,846 and $72,052 and the College contributions to the Plan providers amounted to $73,860 and $87,466 respectively, for the years ended June 30, 2009 and 2008. In addition, the amounts contributed to STRS and OPERS by the College on behalf of ARP participants was $15,596 and $17,602 respectively, for the years ended June 30, 2009 and 2008.

NOTE 10 - 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 1% of the total 14.0% while the OPERS rate was .98% of the total 14% for the year ended June 30, 2009.

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 $3.7 billion as of June 30, 2008. The number of benefit recipients eligible for OPEB was 126,506 for STRS at June 30, 2008. The amount contributed by the College to STRS to fund these benefits was $44,451 for the year ended June 30, 2009.

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, 2007 is $12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.8 billion and $17.0 billion, respectively. The number of OPERS active contributing participants was 363,503 for the year ended December 31, 2008. For the year ended June 30, 2009, the College contributed $34,738 to OPERS for OPEB funding. Contributions equal the actuarially required contributions of the Plan for each year.

(Continued)

NOTE 11 - 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 12 - 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 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 twenty-five-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 fits in the accompanying financial statements.

The Foundation 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 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 date 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.

(Continued)

NOTE 13 - RELATED ORGANIZATION (Continued)

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.

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, 2009 and 2008 are as follows:

	2009	2008
Equity funds	$ 337,753	$ 612,495
Bond funds	533,138	1,237,758
	$ 870,891	$ 1,850,253

Net realized gains on sale of investments were $(314,800) and $2,216 and capital gains distributions were $0 and $4,127 for the years ended June 30, 2009 and 2008, respectively.

Pledges receivable: As of June 30, 2009 and 2008, contributors to the Foundation have outstanding unconditional pledges totaling $1,586,020 and $2,185,777 respectively. Gross pledges receivable have been discounted to a net present value of $1,360,291 and $1,920,821 as of June 30, 2009 and 2008, respectively, which represents fair market value. The discount rate was 5% for 2009 and 2008. An allowance for doubtful pledges of $96,000 has been applied to the gross receivable balance as of June 30, 2009 and 2008. 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:

	2009	2008
Less than one year	$ 520,909	$ 585,411
One to five years	839,382	1,335,410
Total	$ 1,360,291	$ 1,920,821

SUPPLEMENTAL INFORMATION

EDISON STATE COMMUNITY COLLEGE
Board of Trustees and Administrative Personnel
June 30, 2009

Board of Trustees	Title	Term of Office
Mr. Darryl D. Mehaffie	Trustee	2005-2011
Mr. Douglas R. Murray	Chairman	2005-2011
Mr. Thomas P. Milligan	Trustee	2005-2011
Mrs. Judith K. Hartman	Trustee	2007-2013
Mr. Ed Curry	Vice Chairman	2007-2013
Mrs. J. Kathryn Lukey	Trustee	2007-2013
Mr. Jim Thompson	Trustee	2009-2015
Mrs. Mary K. Floyd	Trustee	2009-2015
Mr. Roger E. Luring	Trustee	2009-2015

College Administration	Title
Dr. Kenneth A. Yowell	President
Dr. Mindy McNutt	Vice President for Education
Mr. Daniel R. Reke	Vice President for Administration and Finance
Ms. Debbie A. Hirtzinger	Controller
Ms. Sandra Brubaker	Associate Vice President of Enrollment Management and Student Development
Mr. David Gansz	Associate Vice President for Academic Information & Technology
Ms. Kathi 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, 2008 to June 30, 2009.

Legal Counsel
Richard Cordray, Ohio Attorney General
Education Section
30 E. Broad St., 16th Floor
Columbus, OH 43215

College Location
1973 Edison Drive
Piqua, Ohio 45356

EDISON STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2009

Federal Grantor/Program Title		Federal CFDA Number	Federal Expenditures
U.S. Department of Education			
Direct Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants		84.007	$ 43,526
Federal Work Study		84.033	87,950
Federal Pell Grant		84.063	2,876,787
Federal Academic Competitiveness Grant		84.375	14,418
Federal Family Education Loans (Note 2)		84.032	5,055,408
Total student financial aid cluster			8,078,089
Passed Through State of Ohio Department of Education			
Vocational Education	U.S.A.S. # 524	84.048	96,513
Tech Prep	065763-3ETC-2008	84.243	109,990
Total Passed Through State of Ohio Department of Education			206,503
Total U.S. Department of Education			8,284,592
U.S. Department of Labor			
Community Based Job Training Grants (pass-through)		17.269	574,904
Total Expenditures of Federal Awards			$ 8,859,496

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, 2009:

Federal Subsidized Stafford Loans	$ 2,767,397
Federal Unsubsidized Stafford Loans	2,279,369
Federal Parental Loans for Undergraduate Students	8,642
	$ 5,055,408

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

Crowe Horwath LLP
Member Crowe 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, 2009, 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. We consider the deficiency 09-01 described in the accompanying schedule of findings and questioned costs to be significant deficiency in internal control over financial reporting.

(Continued)

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. However, we believe that the significant deficiency described above is not a material weakness.

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.

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on it.

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 Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 16, 2009

Crowe Horwath.

Crowe Horwath LLP
Member Crowe 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, 2009. 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, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-02.

(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.

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on it.

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 Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 16, 2009

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster Number*
	Total Federal Student Aid (consisting of):
84.063	Federal Pell Grant Program
84.033	Federal Work Student Program
84.007	Federal Supplemental Educational Opportunity Grant Program
84.375	Academic Competitiveness Grant
84.032	Federal Family Education Loan Program
17.269	Community Based Job Training Grants

Dollar threshold used to distinguish between Type A and Type B programs	$ 300,000			
Auditee qualified as low-risk auditee?		Yes	X	No

(Continued)

PART II – FINANCIAL STATEMENT FINDINGS

<u>FINDING 09-01</u>

Criteria:	Journal entries should be reviewed by an appropriate level of management.
Condition:	During the audit we noted that certain journal entries were not approved by an employee at least one level above the preparer. These journal entries included manual and non-standard journal entries made prior to April 2009 and manual and non-standard entries made as part of the monthly closing process throughout the year.
Cause:	Prior to the hiring of the new Controller this was not considered a priority.
Effect:	When journal entries are made without review, it increases the risk of the override of existing controls.
Recommendation:	We understand that a new policy was instituted as of April 1, 2009 which requires review of nonrecurring journal entries. We also understand that there is now review of the month end recurring journal entries during the month end closing procedures but there is no required written documentation of this review. We recommend that the journal entry process be monitored to ensure compliance with the newly established procedures and that written documentation be required as part of the review process.
Management Response:	Management concurs with this finding.
Corrective Action Plan:	All journal entries are now being approved by an employee at least one level above the preparer. Furthermore, journal entries are reviewed by the Controller in her monthly reconciliation of the related accounts. Any discrepancy or error that might occur would be detected and corrected in that process.

(Continued)

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 09-02

Federal Programs:	Pell Grants (CFDA No. 84.063), Federal Family Education Loans (CFDA No. 84.032).
Criteria:	Volume 3 Chapter 7 of the Federal Student Aid Handbook outlines the various requirements for packaging student aid including cost of attendance, use of estimated family contribution, etc. Federal aid awarded cannot exceed a student's financial need unless it is unsubsidized loan funds which can be used to cover the student's estimated family contribution up to the cost of attendance.
Condition:	During our review of 40 students, we noted the following: 1) one instance of an incorrect budget used during packaging, however, this did not result in an overaward; and 2) one instance of overaward of unsubsidized loan funds ($384) in excess of the student's cost of attendance.
Questioned Costs:	$384 Federal Family Education Loan Program
Effect:	The College is not in compliance in all instances with packaging regulations as described in the Federal Student Aid Handbook.
Cause:	The cause of this finding appears to be human error in the implementation of established policies.
Recommendation:	We recommend that the College review its current packaging policies and procedures and make the necessary changes to ensure that all students are packaged in accordance with the federal regulations.
Management's Response:	Management concurs with this finding.
Corrective Actions:	Management will review the existing packaging policies and procedures. To minimize human errors, management created an Excel worksheet that is formula-driven which includes award caps, and necessary changes to ensure that all students are packaged in accordance with the federal regulations.

PART IV – PRIOR YEAR FINDINGS

Finding 08-01

Condition:	During the audit, it was noted that detailed reconciliations of certain asset accounts are either improperly prepared or missing proper supporting documentation.
Status:	Corrected.

Finding 08-02

Federal program:	CFDA No. 17.269 Community Based Job Training Grants.
Criteria:	The grant agreements, federal granting agency and OMB Circular A-133 require that grant recipients be compliant with and have related controls in place to ensure compliance with applicable compliance requirements.
Condition:	The grant document had specific monitoring requirements listed and incorporated applicable A-133 requirements as a reference. The College's management monitored only those compliance requirements that are explicitly listed in the grant document.
Status:	Corrected.

Finding 08-03

Federal Programs:	Pell Grants (CFDA No. 84.063), Federal Family Education Loans (CFDA No. 84.032).
Condition:	During our review of 40 students, we noted the instances of exceptions to compliance requirements.
Status:	Items described above are noted during current year testing. See Finding 09-02.

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 1, 2009

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