EDISON STATE COMMUNITY COLLEGE
Piqua, Ohio

ANNUAL REPORT
June 30, 2008 and 2007

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, 2007 through June 30, 2008. 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 20, 2008

This Page is Intentionally Left Blank.

EDISON STATE COMMUNITY COLLEGE

ANNUAL REPORT
June 30, 2008 and 2007

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 45

This Page is Intentionally Left Blank.

Crowe Horwath

Crowe Horwath LLP
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, 2008 and 2007, 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, 2008 and 2007, 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.

(Continued)

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 28, 2008, 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 28, 2008

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, 2008 and 2007. 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.

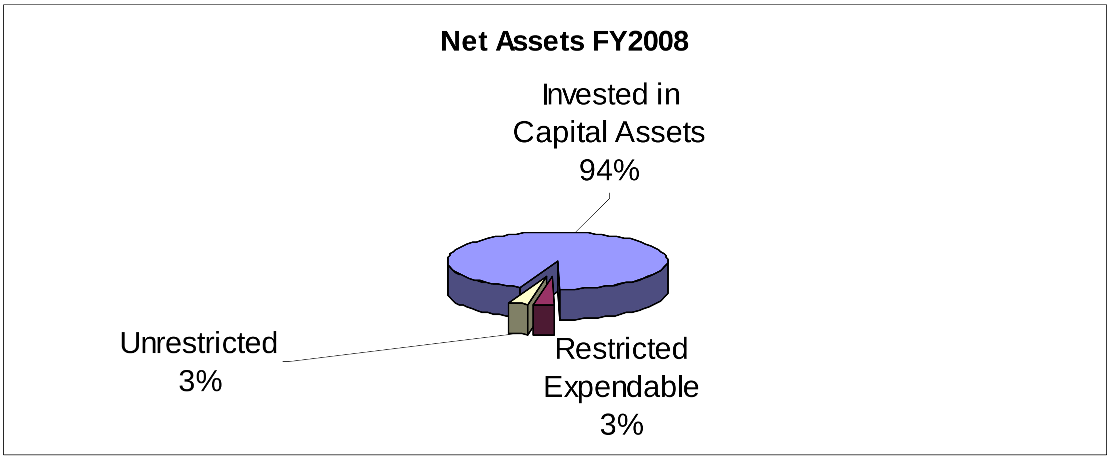
Financial Highlights

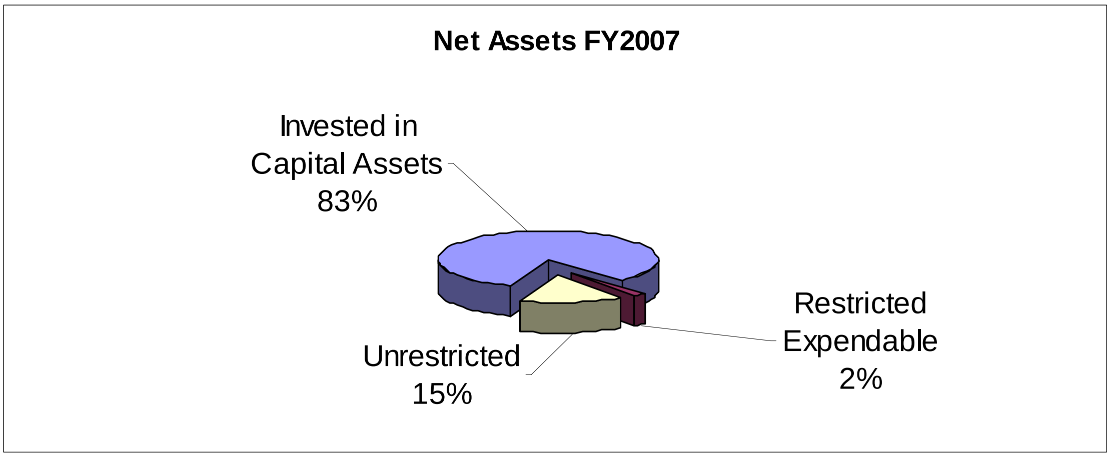
In the fiscal year ended June 30, 2008, College's revenues and other support exceeded expenses, creating a decrease in net assets of $1,027,727, and the cash position of the College decreased $1,291,676.

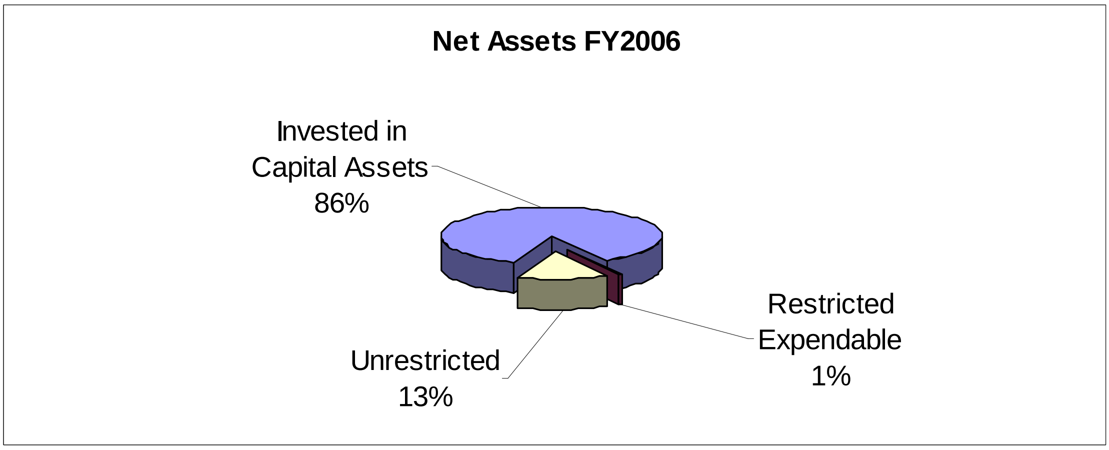
The decrease in the net assets is attributable to unrestricted resources being committed to technological initiatives to better position the College for future demands. These initiatives involve both automated solutions and the related infrastructure needed to support these endeavors.

(Continued)

The following charts provide a graphical breakdown of net assets by category for the fiscal years ended June 30, 2008, 2007 and 2006.







(Continued)

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, 2008.

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, 2008, 2007 and 2006:

	2008	2007	2006
Current assets	$ 5,740,589	$ 10,549,684	$ 10,983,436
Non-current assets			
Capital assets, net	19,493,985	18,496,510	11,503,683
Other	210,000	409,000	3,859,000
Total assets	$ 25,444,574	$ 29,455,194	$ 26,346,119
Current liabilities	$ 4,960,201	$ 7,764,949	$ 7,791,046
Noncurrent liabilities	4,795,008	4,973,153	5,143,670
Net assets			
Invested in capital assets – net of related debt	14,789,255	13,894,384	11,536,506
Restricted	447,416	287,211	100,032
Unrestricted	452,694	2,535,497	1,774,865
Total net assets	15,689,365	16,717,092	13,411,403
Total liabilities and net assets	$ 25,444,574	$ 29,455,194	$ 26,346,119

(Continued)

	Years ended June 30		
	2008	2007	2006
Operating revenues			
Student tuition and fees	$ 5,647,163	$ 5,899,280	$ 5,393,140
Federal grant and contracts	1,329,224	308,444	267,569
State and local grants and contracts	265,140	151,278	192,198
Auxiliary enterprises-bookstore	1,284,961	1,305,611	1,313,348
Other operating revenues	383,371	240,012	222,154
Total operating revenues	8,929,859	7,904,625	7,388,409
Operating expenses			
Educational and general			
Instruction	7,381,312	7,057,638	6,701,218
Public service	704,851	735,047	732,101
Academic support	410,861	382,682	352,959
Student services	3,006,322	1,945,186	1,806,436
Institutional support	4,189,730	3,904,068	3,514,587
Plant operations and maintenance	1,600,236	956,867	1,292,635
Depreciation	924,161	588,561	698,930
Student aid	413,665	516,721	519,502
Auxiliary enterprises-bookstore	1,082,137	991,280	1,005,746
Total operating expenses	19,713,275	17,078,050	16,624,114
Operating loss	(10,783,416)	(9,173,425)	(9,235,795)
Nonoperating revenues (expenses) and other revenues			
State appropriations	6,631,254	6,343,144	6,203,896
Federal grants and contracts	2,180,053	1,972,000	2,065,055
Interest expense	(202,486)	(139,002)	(69,605)
Other	171,113	127,847	189,392
Other nonoperational revenue	337,261	324,849	167,542
Capital grants	283,946	475,276	475,276
Capital appropriations	354,548	3,375,000	-
Total nonoperating and other revenues (expenses)	9,755,689	12,479,114	9,031,556
Change in net assets	$ (1,027,727)	$ 3,305,689	$ (204,149)

(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 significantly impacted fiscal year 2008 operating revenue:

- Student tuition and fees revenue per credit hour remained at the same rate as in fiscal year 2007. In addition, the fall 2007 enrollment decreased by 1.45% over the prior year.
- Grant revenue increased approximately 251.2% or $1,154,652 with the majority of these funds from the Department of Labor grant.
- Edison also invested in a new mobile powered equipment technician program and doubling the capacity of its nursing program. The new Emerson Center also went into service just prior to the beginning of FY2008.

The following factors significantly impacted fiscal year 2007 operating revenue:

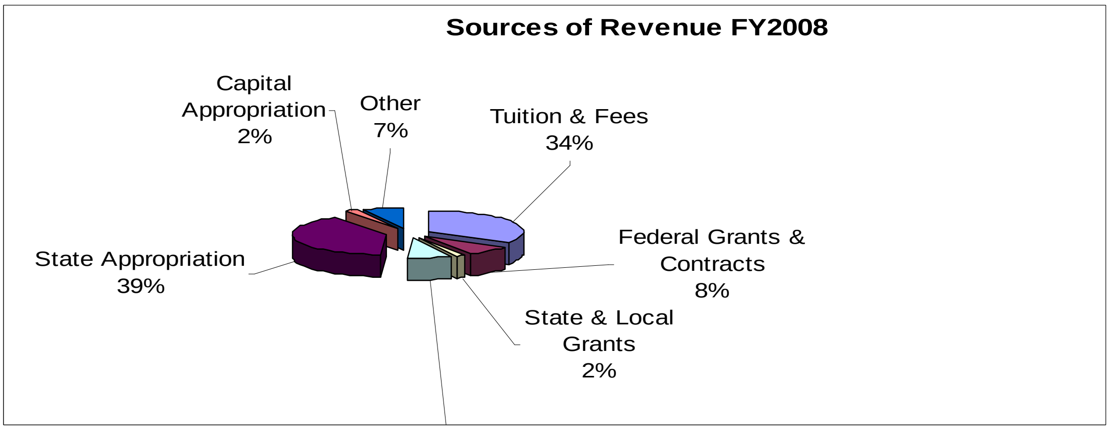
- Student tuition and fees revenue increased as a result of the Board of Trustees raising the rates by 6.0%. In addition, the fall 2006 enrollment decreased by 2.0% over the prior year.
- Grant revenue remained essentially unchanged.

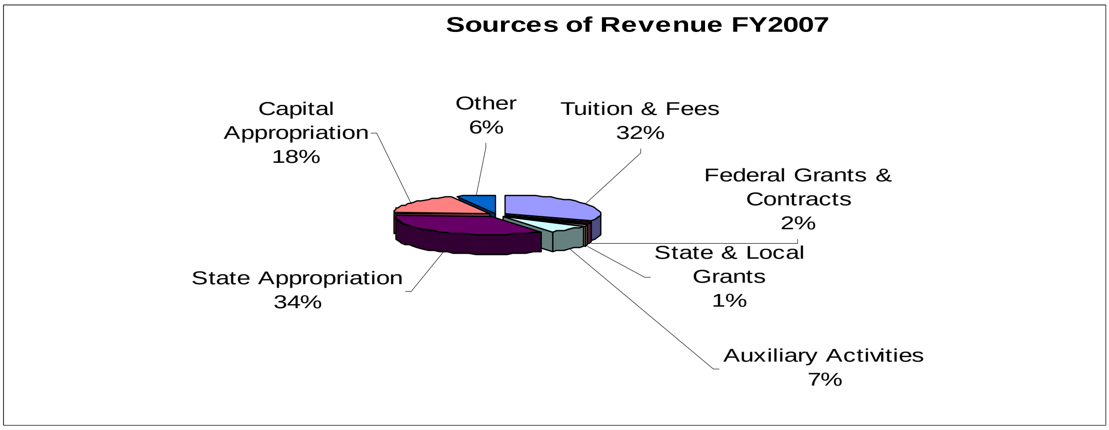
The following factors significantly impacted fiscal year 2006 operating revenue:

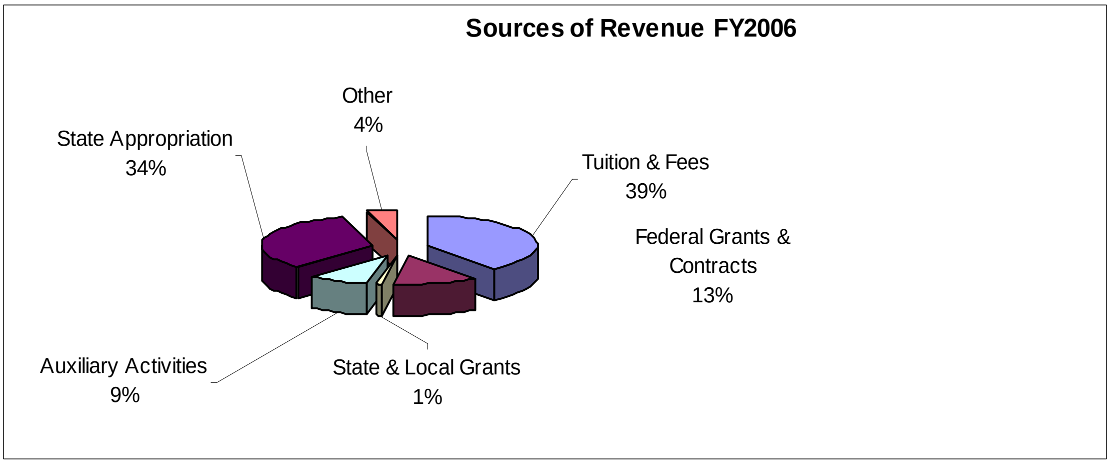
- Student tuition and fees revenue increased as a result of the Board of Trustees raising the rates by 6.0%. In addition, the fall 2005 enrollment increased by 3.0% over the prior year.
- Grant revenue increased approximately 4.8% or $21,055.

(Continued)

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







(Continued)

Operating Expenses

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

Fiscal year 2008 expenses were impacted 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.

- Construction of the Regional Center of Excellence and associated expenses

- Remodeling of Student Services area and Allied Health Department

- Expense also increased due to the expansion of the nursing program to enable twice as many students to enroll in that high-demand program and the addition of a mobile powered equipment technician program. 2008 was also the first full-year of operation for a Community Based Job Training Grant from the Department of Labor which added $1,092,765 in expenses.

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.

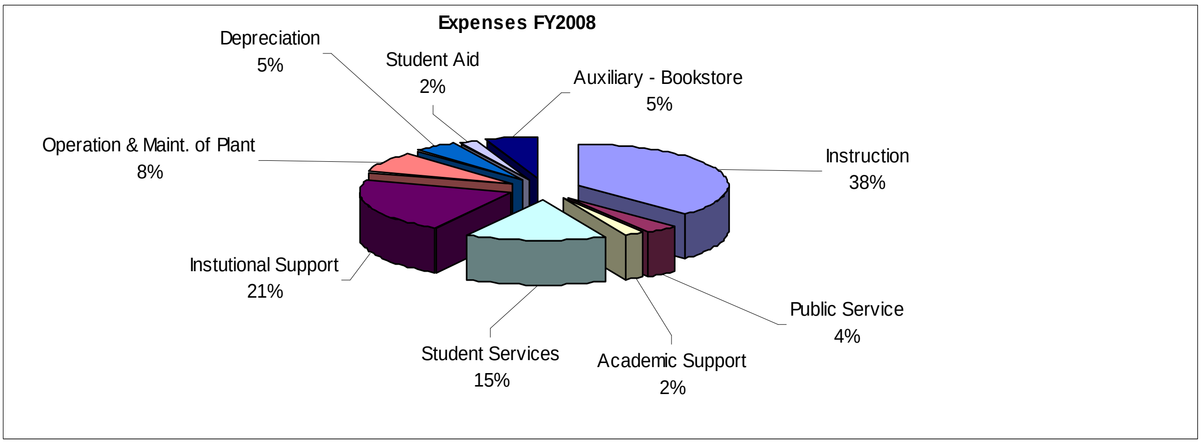
Fiscal year 2006 expenses were impacted by the following:

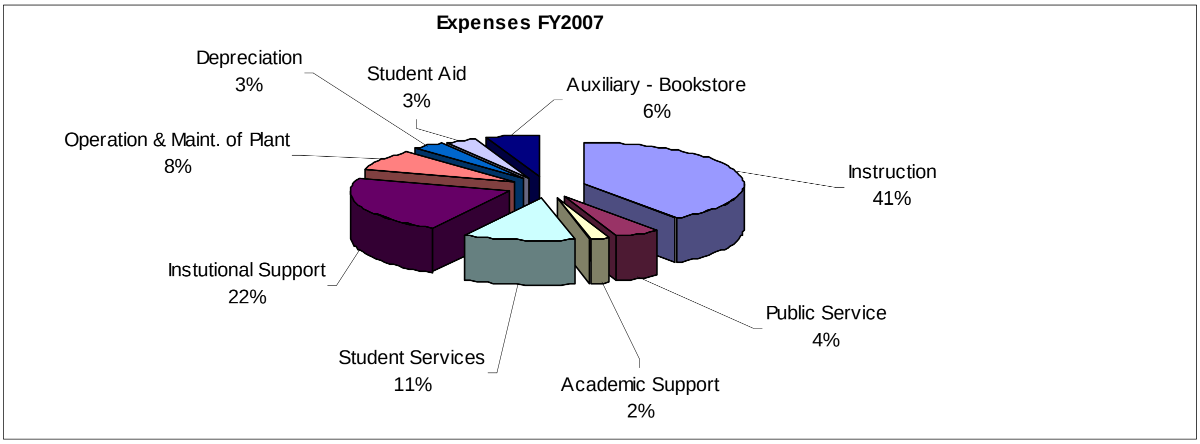
- Increase in salary and wages of 3% or $394,401 from prior year

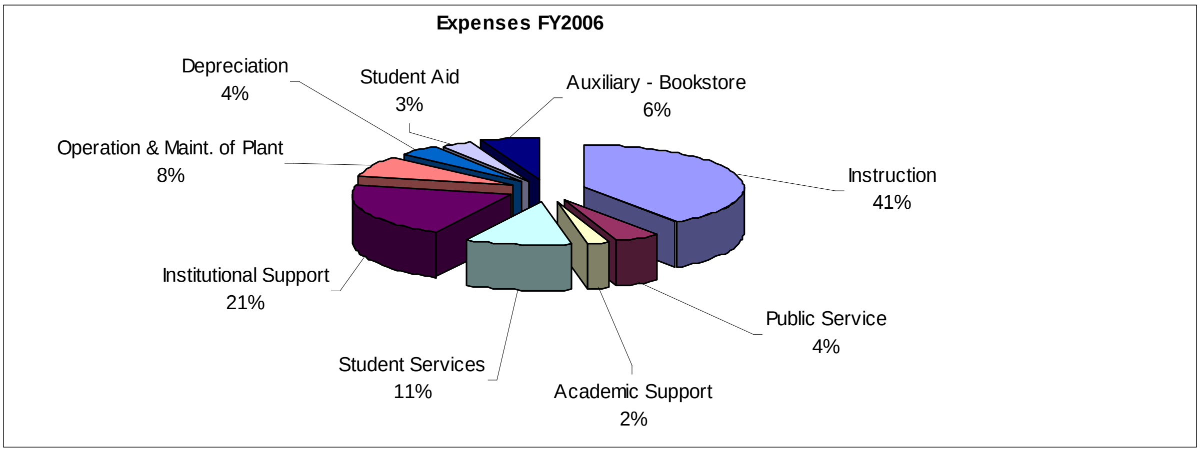
- Increase of health benefits of 9.1% or $193,063.

.

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







(Continued)

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 2008 non-operating and other revenue was significantly impacted by the following factor:

- The total state appropriation increased by 4.5% from prior year, or $288,110 resulting from continuing state funding challenges and restrictions.
- Grants and contracts increased $208,053 or 10.6%

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.
- Grants and contracts decreased $93.055 or 4.5%
- 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.
- Grants and contracts decreased $88,304 or 4.1%

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.

(Continued)

Cash Flows for the Years Ended June 30, 2008, 2007 and 2006

	2008	2007	2006
Cash provided by (used in):			
Operating activities	$ (8,922,406)	$ (8,789,672)	$ (8,420,948)
Noncapital financing activities	9,263,913	8,442,991	8,303,203
Capital and related financing activities	(5,253,620)	(4,003,878)	7,175,676
Investing activities	3,622,969	4,091,081	(5,806,918)
Net increase in cash and cash equivalents	(1,291,676)	(259,478)	1,341,013
Cash and cash equivalents – beginning of year	2,084,709	2,344,187	1,003,174
Cash and cash equivalents – end of year	$ 793,033	$ 2,084,709	$ 2,344,187

Capital Assets

At June 30, 2008, the College has some $19.5 million invested in capital assets, net of accumulated depreciation of $11.1 million. Depreciation charges totaled approximately $0.9 million for the current fiscal year, $0.6 million for 2007 and $0.7 million for 2006. The net book value of capital assets at June 30, 2008, 2007 and 2006 is as follows:

	June 30		
	2008	2007	2006
Land, land improvement	$ 801,420	$ 812,764	$ 799,891
Building and improvements	6,647,847	5,157,249	5,062,227
Student conference center	4,062,028	4,232,782	4,404,353
Center for Excellence	6,938,882	6,521,888	-
Equipment	1,032,874	975,689	560,748
Vehicles	10,934	18,959	2,654
Regional Learning Center work in progress	-	777,179	673,810
Total	$ 19,493,985	$ 18,496,510	$ 11,503,683

(Continued)

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. The Note was repaid in full in August 2007 with capital allocation funds received from the state of Ohio.

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 factor affecting the College for the past three years has been flat to declining enrollments. Consequently, the 2009 budget was based on an assumption of flat enrollment. Concurrently, the enrollment has been shifting more to technical and allied health programs. The college has responded to the demands of the community by doubling the capacity of its nursing program in the Spring semester of 2008, and adding programs in Medical Assisting, Medical Laboratory Technology, and Mobile Powered Machinery Technology. Although those programs provide the community with high-value graduates, they also cost significantly more to deliver thus increasing the cost to meet the educational needs of the community.

Moreover, student expectations for the availability of information technology in and out of the classroom continue to grow along with the costs of providing that technology.

In 2008, the College participated in a compact with the Governor and State Legislature to freeze tuition for two years in exchange for increased tuition subsidies known as State Share of Instruction which accounted for approximately 30% of the Colleges total revenue in 2008. In addition, the college was required to implement cost savings measures in amount equaling 1% of its operating costs (3% in 2009) to qualify for those increases.

The future will certainly be challenging times for higher education. We are encouraged by an increase in Fall 2008 enrollment but the current economic times temper this optimism. We stand ready to continue to be a valued partner in the growth of Miami, Shelby, and Darke Counties.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
June 30, 2008 and 2007

	College 2008	College 2007	College Related Foundation 2008	College Related Foundation 2007
Assets				
Current assets				
Cash and cash equivalents	$ 793,033	$ 2,084,709	$ -	$ -
Investments	313,625	3,680,826	-	-
Accounts and pledges receivable (net)	4,202,248	4,394,837	556,153	613,446
Prepaid expenses and other	181,853	175,335	9,972	13,744
Inventories	249,830	213,977	-	-
Total current assets	5,740,589	10,549,684	566,125	627,190
Noncurrent assets				
Accounts and pledges receivable (net)	10,000	9,000	1,268,668	1,738,336
Restricted cash deposits	-	-	1,428,625	800,311
Investments	200,000	400,000	1,850,253	2,028,261
Capital assets (net)	19,493,985	18,496,510	-	-
Total noncurrent assets	19,703,985	18,905,510	4,547,546	4,566,908
Total assets	$ 25,444,574	$ 29,455,194	$ 5,113,671	$ 5,194,098
Liabilities and net assets				
Current liabilities				
Accounts payable and accruals	$ 932,799	$ 310,406	$ 42,121	$ 27,064
Accrued salaries, wages, and benefits	789,510	628,245	-	-
Deferred revenues	2,955,257	3,055,774	-	-
Bond anticipation note	-	3,500,000	-	-
Capital lease obligation, current	56,810	54,637	-	-
Long term debt, current	225,825	215,887	-	-
Total current liabilities	4,960,201	7,764,949	42,121	27,064
Noncurrent liabilities				
Accrued salaries, wages, and benefits	372,913	268,423	-	-
Capital lease obligation	429,477	486,287	-	-
Long term debt	3,992,618	4,218,443	-	-
Other liability	-	-	100,000	100,000
Total liabilities	9,755,209	12,738,102	142,121	127,064
Net Assets				
Invested in capital assets – net of related debt	14,789,255	13,894,384	-	-
Restricted – expendable	436,704	276,805	4,287,256	4,158,070
Restricted – nonexpendable	10,712	10,406	65,845	72,882
Unrestricted	452,694	2,535,497	618,549	836,082
Total net assets	15,689,365	16,717,092	4,971,550	5,067,034
Total liabilities and net assets	$ 25,444,574	$ 29,455,194	$ 5,113,671	$ 5,194,098

See accompanying notes to financial statements.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ending June 30, 2008 and 2007

	College 2008	College 2007	College Related Foundation 2008	College Related Foundation 2007
Operating revenue				
Student tuition and fees	$ 7,626,713	$ 7,676,889	$ -	$ -
Less grants and scholarships	(1,979,550)	(1,777,609)	-	-
Net student tuition and fees	5,647,163	5,899,280	-	-
Federal grants and contracts	1,349,224	308,444	-	-
State and local grants and contracts	265,140	151,278	-	-
Auxiliary enterprises – bookstore, net of grants and scholarships of $327,008 and $289,329 in 2008 and 2007, respectively	1,284,961	1,305,611	-	-
Gifts		-	208,326	37,135
Other operating revenue	383,371	240,012	-	-
Total revenues, gains and other support	8,929,859	7,904,625	208,326	37,135
Operating Expenses				
Instruction	7,381,312	7,057,638	-	-
Public service	704,851	735,047	-	-
Academic support	410,861	382,682	-	-
Student services	3,006,322	1,945,186	-	-
Institutional support	4,189,730	3,904,068	246,235	277,821
Plant operations and maintenance	1,600,236	956,867	-	-
Depreciation	924,161	588,561	-	-
Student aid	413,665	516,721	-	-
Auxiliary enterprises	1,082,137	991,280	-	-
Total operating expenses	19,713,275	17,078,050	246,235	277,821
Operating loss	(10,783,416)	(9,173,425)	(37,909)	(240,686)
Nonoperating revenues (expenses)				
Federal grants and contracts	2,180,053	1,972,000	-	-
State appropriations	6,631,254	6,343,144	-	-
Gifts, including $423,332 and $118,347 from Foundation for 2008 and 2007, respectively	452,606	127,847	441,765	1,599,904
Investment income, net of expense	55,768	324,849	(76,008)	321,150
Interest expense	(202,486)	(139,002)	-	-
Transfer from Edison Foundation	-	-	(423,332)	(118,347)
Total nonoperating revenues (expenses)	9,117,195	8,628,838	(57,575)	1,802,707
Income (loss) before other revenues, expenses, gains, or losses	(1,666,221)	(544,587)	(95,484)	1,562,021
Capital grants	283,946	475,276	-	-
Capital appropriation	354,548	3,375,000	-	-
Total other revenues	638,494	3,850,276	-	-
Change in net assets	(1,027,727)	3,305,689	(95,484)	1,562,021
Net assets at beginning of year	16,717,092	13,411,403	5,067,034	3,505,013
Net assets at end of year	$ 15,689,365	$ 16,717,092	$ 4,971,550	$ 5,067,034

See accompanying notes to financial statements.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Student tuition and fees	$ 5,965,799	$ 5,890,306
Grants and contracts	1,399,766	366,063
Payments to vendors and employees	(17,943,337)	(16,591,664)
Auxiliary enterprise	1,284,961	1,305,611
Other receipts	370,405	240,012
Net cash from operating activities	(8,922,406)	(8,789,672)
Cash flows from non-capital financing activities		
State appropriations	6,631,254	6,343,144
Federal grants and contracts	2,180,053	1,972,000
Gifts	452,606	127,847
Net cash from non-capital financing activities	9,263,913	8,442,991
Cash flows from capital and related financing activities		
Capital grants	283,946	475,276
Capital appropriations	354,548	3,375,000
Purchases of capital assets	(1,921,636)	(7,581,388)
Interest paid on outstanding debt	(202,486)	(139,002)
Principal paid on outstanding debt	(3,770,524)	(133,764)
Net cash from capital and related financing activities	(5,256,152)	(4,003,878)
Cash flows from investing activities		
Proceeds from maturities of investments	3,567,201	3,715,082
Interest on investments	55,768	375,999
Net cash from investing activities	3,622,969	4,091,081
Net change in cash and cash equivalents	(1,291,676)	(259,478)
Cash and cash equivalents, beginning of year	2,084,709	2,344,187
Cash and cash equivalents, end of year	$ 793,033	$ 2,084,709
Reconciliation of operating loss to net cash from operating activities		
Operating loss	$(10,783,416)	$ (9,173,425)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	924,161	588,561
Changes in assets and liabilities:		
Accounts receivable	191,589	(164,655)
Inventories	(35,853)	(6,036)
Prepaid expenses and other	(6,518)	28,733
Accounts payable and accruals	622,393	(101,159)
Accrued salaries, wages, and benefits	265,755	(23,713)
Deferred student fee income	(100,517)	62,022
Net cash from operating activities	$ (8,922,406)	$ (8,789,672)

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.* Non-operating revenue includes state appropriations, certain government grants, 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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
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.

(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. 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. 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.

Recent Accounting Pronouncements: 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. The College will be required to implement this statement in fiscal year 2009.

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.

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. The College will be required to implement this statement in fiscal 2009.

(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.

Management has not yet determined the impact the above GASB statements will have on the College's financial statements and disclosure

<u>Use of Estimates</u>: 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.

<u>Reclassifications</u>: Certain prior year amounts have been reclassified to conform to the current year presentation.

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.

NOTE 2 - CASH AND INVESTMENTS (Continued)

The classification of cash and cash equivalents and investments in the financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less. Consistent with this definition, College funds on deposit in the State Treasurer's investment pool are classified as cash equivalents in the balance sheet. However, for GASB Statement No. 3 discussion purposes (see below), the funds in the State Treasurer's investment pool are classified as investments.

Cash and cash equivalents: At June 30, 2008, the carrying amounts of the College's cash and cash equivalents was $793,033 (included in cash and cash equivalents in the balance sheet) and the bank balances were $964,463. The differences between carrying amounts and bank balances are primarily due to outstanding checks and deposits in transit at June 30, 2008. 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 $592,347. The remaining balances of $372,116 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.

Investments: Investments are stated at their fair value of $513,625. The College's investments include $313,625 invested in certificates of deposit. The remaining $200,000 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, 2008. STAR Ohio has a AAA rating.

The fair value and cost of deposits and investments, by type, at June 30, 2008 and 2007 are as follows:

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	$ 582,254	$ 582,254	$ 1,412,052	$ 1,412,052
STAR Ohio	410,779	410,779	812,958	812,958
Certificates of deposit	313,625	313,625	3,940,525	3,940,525
	$ 1,306,658	$ 1,306,658	$ 6,165,535	$ 6,165,535

(Continued)

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2008 and 2007 consist of billings for student fees and receivables arising from grants and are summarized as follows:

	2008	2007
Student charges	$ 2,967,619	$ 3,202,760
Post secondary enrollment options program	1,174,456	1,162,466
Other	275,847	227,846
Non current receivable	10,000	9,000
Allowance for doubtful accounts	(215,673)	(198,235)
	$ 4,212,248	$ 4,403,837

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in the capital assets and related accumulated depreciation during the 2008 and 2007 fiscal year:

	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

(Continued)

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Cost:				
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	673,810	103,369	--	777,179
	22,596,549	7,581,388	--	30,177,937
Less accumulated depreciation:				
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	1,508,711	--	--	1,508,711
	11,092,866	588,561	--	11,681,427
Capital assets—net	$11,503,683	$6,992,827	$ --	$ 18,496,510

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

(Continued)

NOTE 5 - NONCURRENT LIABILITIES

Noncurrent liabilities as of June 30, 2008 and 2007 are summarized as follows:

	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

	2007					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond obligations	$ 4,515,547	$ -	$ (81,217)	$ 4,434,330	$ 215,887	$ 4,218,443
Capital lease obligation	593,471	-	(52,547)	540,924	54,637	486,287
Total	5,109,018	-	(133,764)	4,975,254	270,524	4,704,730
Compensated absences	510,835	35,409	(10,338)	535,906	267,483	268,423
Total	$ 5,619,853	$ 35,409	$ (144,102)	$ 5,511,160	$ 538,007	$ 4,973,153

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, 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, 2007 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)

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
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	160,000	153,908	313,908
2014-2018	910,000	664,025	1,574,025
2019-2023	1,155,000	421,600	1,576,600
2024-2026	1,125,000	128,753	1,253,753
Total	$ 4,218,443	$ 2,068,812	$ 6,287,255

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, 2008:

Year Ending June 30	
2009	$ 74,996
2010	74,996
2011	74,996
2012	74,996
2013	74,996
2014-2016	188,453
Total minimum lease payment	563,433
Less: amount representing interest	77,146
Present value of future minimum lease payments	$ 486,287

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 were payable in full upon maturity in August 2007. The Note was issued to provide interim construction financing for the Regional Learning Center. During the year ended June 30, 2008, the College received capital allocation funds from the state of Ohio and repaid the Note.

(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. During the year ended June 30, 2007 and 2007, 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 $103,542 for the years ended June 30, 2008 and 2007.

At June 30, 2008, minimum lease payments under this lease are as follows:

Year Ending June 30	
2009	$ 103,542
2010	103,542
2011	103,542
2012	8,629
Total minimum lease payment	$ 319,255

(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 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

The Ohio Revised Code provides statutory authority for employee and employer contributions. Effective July 1, 2007 the employee contribution rate was 9.5% and increased to 10% effective with the pay period ending on or after January 1, 2008, for employees other than law enforcement. Effective July 1, 2007 the employer contribution rate for local government employers was 13.77% and increased to 14% effective with the pay period ending on or after January 1, 2008. 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, 2008, 2007 and 2006 were as follows:

	Contribution	
Years	OPERS	STRS
2008	$ 492,596	$ 613,367
2007	445,840	610,923
2006	437,745	574,148

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

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

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.

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 $72,052 and $70,248, and the College contributions to the Plan providers amounted to $87,466 and $81,897, respectively, for the years ended June 30, 2008 and 2007. In addition, the amounts contributed to STRS by the College on behalf of ARP participants was $17,602 and $16,905, respectively, for the years ended June 30, 2008 and 2007.

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 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, 2008.

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, 2007. The number of benefit recipients eligible for OPEB was 122,934 for STRS at June 30, 2007. The amount contributed by the College to STRS to fund these benefits was $<> and $196,368 for the year ended June 30, 2008 and 2007. (Needs to be updated for FY08)

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS ("OPEB") (Continued)

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 $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 <> for the year ended December 31, 2008. For the years ended June 30, 2008 and 2007, the College contributed $<> and $148,152, respectively, to OPERS for OPEB funding. Contributions equal the actuarially required contributions of the Plan for each year.

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 twenty-four-member board of the Foundation is self-perpetuating and consists of graduates and friends of the college.

(Continued)

NOTE 13 - RELATED ORGANIZATION (Continued)

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.

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, 2008 and 2007 are as follows:

	2008		2007	
	Cost	Market	Cost	Market
Cash and cash equivalents	$ 93,520	$ 93,520	$ --	$ --
Equity funds	620,488	612,495	1,087,058	1,381,802
Bond funds	1,163,478	1,237,759	645,384	646,459
	$ 1,783,965	$ 1,850,253	$ 1,732,442	$ 2,028,261

Net realized gains on sale of investments were $2,216 and $112,122 and capital gains distributions were $4,127 and $750 for the years ended June 30, 2008 and 2007, respectively.

(Continued)

NOTE 13 - RELATED ORGANIZATION (Continued)

Pledges receivable: As of June 30, 2008 and 2007, contributors to the Foundation have outstanding unconditional pledges totaling $2,185,777 and $2,770,454 respectively. Gross pledges receivable have been discounted to a net present value of $1,920,821 and $2,430,282 as of June 30, 2008 and 2007, respectively, which represents fair market value. The discount rate was 5% for 2008 and 2007. An allowance for doubtful pledges of $96,000 and $78,500 has been applied to the gross receivable balance as of June 30, 2008 and 2007, respectively. The allowance is based upon management's judgment, past collection experience and other relevant factors. All pledges have been classified as temporarily restricted net assets since they will either expire or be fulfilled within a specified period of time. Gross pledges are as follows:

	2008	2007
Less than one year	$ 585,411	$ 633,922
One to five years	1,335,410	1,795,339
More than five years	--	1,021
Total	$ 1,920,821	$ 2,430,282

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 College'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.

SUPPLEMENTAL INFORMATION

EDISON STATE COMMUNITY COLLEGE
Board of Trustees and Administrative Personnel
June 30, 2008

Board of Trustees	Title	Term of Office
Mr. Darryl D. Mehaffie	Trustee	2005-2011
Dr. Richard N. Adams	Chairman	2003-2009
Mr. Douglas R. Murray	Vice Chairman	2005-2011
Mrs. Lynda Bliss	Trustee	2003-2009
Mr. Thomas P. Milligan	Trustee	2005-2011
Mrs. Judith K. Hartman	Trustee	2007-2013
Mr. Ed Curry	Trustee	2007-2013
Mrs. J. Kathryn Lukey	Trustee	2007-2013
Mr. Jim Thompson	Trustee	2007-2009

College Administration	Title
Dr. Kenneth A. Yowell	President
Dr. Mindy McNutt	Vice President for Education
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, 2008 to June 30, 2009.

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

EDISON STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2008

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	$ 47,040
Federal Work Study	84.033	79,464
Federal Pell Grant	84.063	2,180,053
Federal Academic Competitiveness Grant	84.375	11,937
Federal Family Education Loans (Note 2)	84.032	3,088,251
Total student financial aid cluster		5,406,745
Passed Through State of Ohio Department of Education		
Vocational Education	84.048	26,649
Tech Prep	84.243	118,077
Total Passed Through State of Ohio Department of Education		144,727
Total U.S. Department of Education		$ 5,551,471
U.S. Department of Labor		
Community Based Job Training Grants (pass-through)	17.269	1,092,765
Total Expenditures of Federal Awards		$ 6,644,236

(Continued)

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, 2008:

Federal Subsidized Stafford Loans	$ 1,858,492
Federal Unsubsidized Stafford Loans	1,214,759
Federal Parental Loans for Undergraduate Students	15,000
	$ 3,088,251

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

Crowe Horwath LLP
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, 2008, 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 08-01 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

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.

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the College'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 28, 2008

Crowe Horwath LLP
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, 2008. 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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are 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 08-02 and 08-03.

(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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-02 to be a significant deficiency.

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 Foundation'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 28, 2008

EDISON STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

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)?	x	Yes		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 Cluster (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?	X	Yes		No

PART II – FINANCIAL STATEMENT FINDINGS

Finding 08-01

Criteria:	Detailed and timely reconciliations of asset accounts should be properly prepared on a regular basis and reviewed by management. Related supporting documentation should be maintained.
Condition:	During the audit, it was noted that detailed reconciliations of certain asset accounts are either improperly prepared or missing proper supporting documentation.
Cause:	Due to size of the accounting department, there are times when the account reconciliations are not prepared and reviewed in a timely manner. In addition, due to personnel turnover at a time during year-end audit preparation, certain supporting documentation was missing or misplaced.
Effect:	When accounts are not properly reconciled or supporting documentation not maintained, it increases the risk of management not detecting a misstatement. This is especially significant during the year end closing process. This has led to various audit adjustments and delays in audit completion.
Recommendation:	We recommend that management develop a policy and procedure in which key accounts are properly reconciled and retain related supporting documentation. We also recommend that management establish a formal review of the reconciliations with appropriate documentation of the review.
Management Response:	Management concurs with the finding.
Corrective Action:	The new controller has established procedures to reconcile accounts on a monthly basis. A procedure will be added to the accounting department's procedure manual that explains the month end procedure, key accounts to be reconciled and requires quarterly meetings with supervisor to review and verify account reconciliations.

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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.

Context / Cause: The College's management was not aware of and did not have processes or controls in place to address A-133 compliance requirements not specifically listed in the grant document.

Effect: Because management was not aware of certain compliance requirements, management:

- Did not obtain or document competitive bids for procurement procedures.
- Did not check the ELPS website to ensure training partners and vendors were not barred or suspended from receiving federal funds. However, none of the training partners or sub-recipients were barred or suspended.
- Did not tag or notify training partners to tag fixed assets purchased with federal funds.
- Did not perform calculation to identify the need to return interest income in excess of $250 generated from federal funds prior to distribution to sub-recipients. However, such interest income earned during FY2008 did not exceed $250.
- Did not communicate A-133 requirements to the various training partners to ensure that all are appropriately following the applicable federal guidelines.

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 08-02 (Continued)

Recommendation: We recommend that management review polices and procedures to ensure proper controls are in place to address all applicable OMB Circular A-133 requirements. We also recommend that management perform a quarterly review of interest income earned on undistributed federal funds to ensure a timely return of excess interest income to the appropriate federal agency. Lastly, we recommend that management check the ELPS website prior to granting funds to training partners and communicate A-133 requirements to the various training partners.

Management's Response: Management concurs with the above finding.

Corrective Actions: Management will have procedures in place to monitor compliance with these requirements and incorporate such requirements as part of the Memorandum of Understanding with related training partners. In addition, management will check ELPS website for all training partners and vendors.

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 08-03

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 resulting in an overaward of subsidized loan funds ($47); 2) one instance of overaward of unsubsidized loan funds ($57) in excess of the student's cost of attendance and; 3) one instance of an incorrect estimated family contribution used during packaging resulting in an overaward of Pell funds ($13).
Questioned Costs:	$104 Federal Family Education Loan Program and $13 Pell Grant 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 and make the necessary changes to ensure that all students are packaged in accordance with the federal regulations.

PART IV – PRIOR YEAR FINDINGS

None.

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 4, 2008

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us