Edison State
Community College

Financial Statements for the Years Ended June 30, 2003 and 2002 and Single Audit Reports for the Year Ended June 30, 2003

Auditor of State
Betty Montgomery

To the Board of Trustees
Edison State Community College
Piqua, Ohio

We have reviewed the Independent Auditor's Report of the Edison State Community College, Miami County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2002 through June 30, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 6, 2003

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EDISON STATE COMMUNITY COLLEGE

TABLE OF CONTENTS

EDISON STATE COMMUNITY COLLEGE

BOARD OF TRUSTEES AND ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 2003

Board of Trustees	Title	Term of Office
Mr. Lewis A. Blackford	Chairman	03/25/03 – 01/18/09
Mr. Darryl D. Mehaffie	Vice Chairman	04/09/99 – 01/18/05
Dr. Richard N. Adams	Trustee	03/25/03 – 01/18/09
Mrs. D. Ann Baird	Trustee	02/02/01 – 01/18/07
Mr. Richard A. Graeff	Trustee	02/02/01 – 01/18/07
Mr. Ray L. Loffer	Trustee	04/09/99 – 01/18/05
Mr. LeRoy H. Miller	Trustee	02/02/01 – 01/18/07
Mrs. Lynda Bliss	Trustee	06/13/03 – 01/18/09
Mr. Thomas P. Milligan	Trustee	08/06/99 – 01/18/05

College Administration

Dr. Kenneth A. Yowell	President
Mr. Philip C. Lootens	Acting Vice President, Academic/Student Affairs
Mr. Keith E. Kamerer	Executive Director, Business/Personnel Services
Mr. Dennis Myers	Vice President for Information Technology
Mr. Darrel Isaacs	Controller
Ms. Lisa Waldrop	Director, Student Financial Aid

Insurance

All employees were insured with Willis of Ohio for $500,000. The effective date of the policy is April 1, 2003 to April 1, 2004.

Legal Counsel

Mr. Stanley R. Evans
100 South Main Avenue
Suite 102, Courtview Center
Sidney, Ohio 45365

The Office of Attorney General, Jim Petro

College Location

1973 Edison Drive
Piqua, Ohio 45356

Deloitte & Touche LLP
1700 Courthouse Plaza Northeast
Dayton, Ohio 45402-1788

Tel: (937) 223-8821
Fax: (937) 223 8583
www.deloitte.com

Deloitte
& Touche

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Edison State Community College and
Betty Montgomery, Auditor of the State of Ohio

We have audited the accompanying consolidated statements of net assets of Edison State Community College (the "College"), a component unit of the State of Ohio, as of June 30, 2003 and 2002, and the related consolidated statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the College. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Edison State Community College at June 30, 2003 and 2002, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2 – 8 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the College's Management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Edison State Community College taken as a whole. The accompanying Schedule of Expenditures of Federal Awards on pages 21 – 22, 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 2003 basic financial statements. The schedule is the responsibility of the College's management. Such additional information has been subjected to the auditing procedures applied in our audit of the 2003 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 3, 2003, 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. 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.

Deloitte & Touche LLP

October 3, 2003

EDISON COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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, 2003 and 2002. 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 the College's 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 were adopted by the College in fiscal year 2002 and require three basic financial statements: the Statement of Net Assets, Statement of Revenues, Expenses and Change 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.

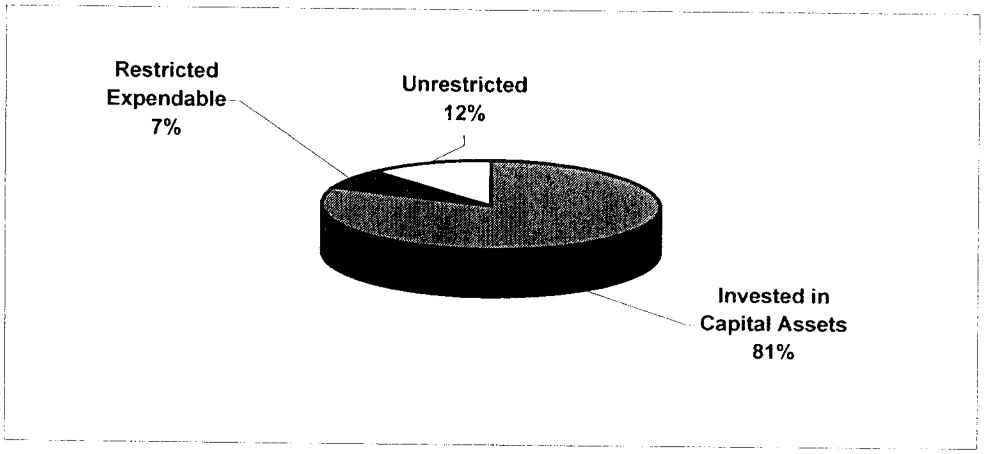
These statements include all assets and liabilities under the accrual basis of accounting, which is the same as the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Financial Highlights

- In the fiscal year ended June 30, 2003, the College's expenses exceeded revenues and other support, creating a decrease in net assets of $972,142, however, during the past fiscal year, the cash position of the College increased $81,188.

- 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. Also the recognition of depreciation on all capital assets has reduced net assets.

- The following chart provides a graphical breakdown of net assets by category for the fiscal year ended June 30, 2003.



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 financial health of the College. In spite of continued cutbacks in state appropriations, the College's financial position remained strong at June 30, 2003.

Following is a summary of the major components of the net assets and operating results of the College as of and for the years ended June 30, 2003 and 2002:

	June 30	
	2003	2002
Current assets	$ 4,890,046	$ 4,823,547
Non-current assets:		
Capital assets, net	12,046,917	12,922,590
Other	765,867	760,660
Total assets	$17,702,830	$18,506,797
Current liabilities	$ 2,927,266	$ 2,713,830
Noncurrent liabilities	738,626	783,887
Net assets:		
Invested in capital assets—net of related debt	11,373,270	12,184,001
Restricted	1,002,818	491,191
Unrestricted	1,660,850	2,333,888
Total net assets	14,036,938	15,009,080
Total liabilities and net assets	$17,702,830	$18,506,797

	June 30	
	2003	**2002**
Operating revenues:		
Student tuition and fees	$ 4,482,958	$ 4,122,300
Federal grant and contracts	2,078,026	1,578,773
State and local grants and contracts	240,556	244,109
Auxiliary enterprises–bookstore	1,114,200	1,177,097
Other operating revenues	369,475	414,049
Total operating revenues	8,285,215	7,536,328
Operating expenses:		
Educational and general:		
Instruction	6,268,911	5,786,794
Public service	918,734	850,520
Academic support	332,499	330,168
Student services	1,609,140	1,522,893
Institutional support	2,946,876	3,197,179
Plant operations and maintenance	1,245,746	1,116,034
Depreciation	929,057	931,937
Student aid	436,683	245,444
Auxiliary enterprises—bookstore	855,821	1,048,740
Total operating expenses	15,543,467	15,029,709
Operating loss	(7,258,252)	(7,493,381)
NONOPERATING REVENUES (EXPENSES) AND OTHER REVENUES:		
State appropriations	6,021,986	5,908,052
Interest expense	(43,830)	(44,234)
Other		438,101
Capital grants	307,954	307,954
Total nonoperating and other revenues	6,286,110	6,609,873
DECREASE IN NET ASSETS	$ (972,142)	$ (883,508)

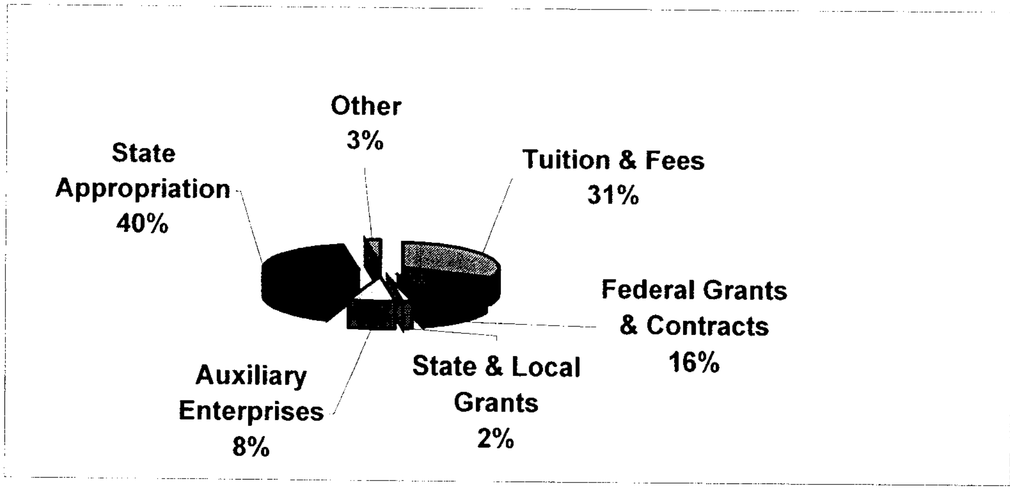
Operating Revenues

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 operating revenue:

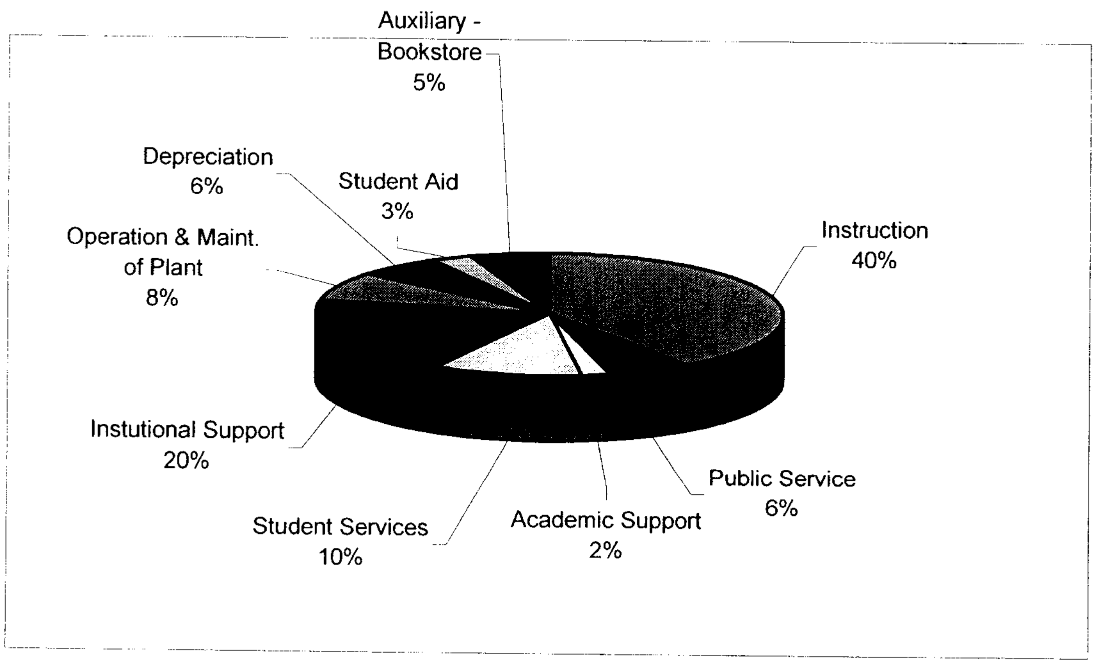
- Student tuition and fees revenue increased as a result of the Board of Trustees raising the rates by 6.0%. In addition, the fall 2002 enrollment increased by 5% over the prior year.
- Grant revenue increased approximately 27.2% or $495,700.

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.



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.

Non-operating and other revenue was significantly impacted by the following factors:

- The total state appropriation increased 1.9% from prior year, or $113,934.

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 Year Ended June 30, 2003

Cash provided by (used in):	
Operating activities	$(6,061,982)
Noncapital financing activities	6,021,986
Capital and related financing activities	145,798
Investing activities	(24,614)
Net increase in cash and cash equivalents	81,188
Cash and cash equivalents—Beginning of year	851,974
Cash and cash equivalents—End of year	$ 933,162

Capital Assets

At June 30, 2003, the College has $12.0 million invested in capital assets, net of accumulated depreciation of $8.6 million. Depreciation charges totaled $0.9 million for the current fiscal year. The net book value of capital assets at June 30, 2003 is as follows:

Land, land improvements	$ 839,236
Buildings and improvements	4,702,840
Student conference center	4,891,234
Equipment	850,813
Vehicles	8,437
Library books	754,357
Total	$12,046,917

Long-Term Debt

The College currently has a bond payable which consists of a 5.75% series 2001 Revenue Bond due December 2010. The College did not issue any new debt in fiscal year 2003. Scheduled debt payments were made on the 2001 bond. For more detailed information on current outstanding debt, see Footnote E to the financial statements.

Economic Factors And Next Years' Budget

The most significant economic issue for the College and other higher education institutions has been the prolonged downturn in the state of Ohio's economy and revenue collections, which has resulted in cutbacks in state appropriations for fiscal years 2001, 2002 and 2003. Since state appropriations represent the largest revenue source for the College, a 6% tuition increase was implemented effective for the 2003 summer semester. In addition, the College has taken measures to further control costs. The College will continue to be a low cost affordable education for the residents of Darke, Miami and Shelby counties.

For fiscal year 2004, the College is anticipating additional growth in student enrollment. This will likely exert further cost pressures relative to maintaining adequate staffing, space, and support services. Also causing concern is our escalating increases in health care costs.

EDISON STATE COMMUNITY COLLEGE

STATEMENTS OF NET ASSETS
JUNE 30, 2003 AND 2002

ASSETS	2003	2002
CURRENT ASSETS:		
Cash and cash equivalents	$ 933,162	$ 851,974
Investments	964,150	944,743
Accounts receivable, net	2,696,319	2,726,368
Prepaid expenses and other	85,270	85,252
Inventories, at average cost	211,145	215,210
Total current assets	4,890,046	4,823,547
NONCURRENT ASSETS:		
Investments	765,867	760,660
Capital assets, net	12,046,917	12,922,590
Total noncurrent assets	12,812,784	13,683,250
Total assets	$ 17,702,830	$ 18,506,797
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accruals	$ 114,417	$ 134,667
Accrued salaries, wages and benefits	638,500	640,272
Deferred student fee income	2,105,673	1,873,949
Bonds payable—current portion	68,676	64,942
Total current liabilities	2,927,266	2,713,830
NONCURRENT LIABILITIES:		
Accrued salaries, wages and benefits	133,655	110,240
Bonds payable	604,971	673,647
Total liabilities	3,665,892	3,497,717
NET ASSETS:		
Invested in capital assets—net of related debt	11,373,270	12,184,001
Restricted—expendable	913,526	403,738
Restricted—nonexpendable	89,292	87,453
Unrestricted	1,660,850	2,333,888
Total net assets	14,036,938	15,009,080
Total liabilities and net assets	$ 17,702,830	$ 18,506,797

The accompanying notes are an integral part of the financial statements.

EDISON STATE COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2003 AND 2002

REVENUES	2003	2002
Operating revenues:		
Student tuition and fees	$ 6,198,845	$ 5,508,133
Less grants and scholarships	(1,715,887)	(1,385,833)
Student tuition and fees, net of grants and scholarships	4,482,958	4,122,300
Federal grants and contracts	2,078,026	1,578,773
State and local grants and contracts	240,556	244,109
Auxiliary enterprises—bookstore net of grants and scholarships of $234,844 and $80,192 in 2003 and 2002, respectively	1,114,200	1,177,097
Other operating revenues	369,475	414,049
Total operating revenues	8,285,215	7,536,328
EXPENSES		
Operating expenses:		
Education and general:		
Instruction	6,268,911	5,786,794
Public service	918,734	850,520
Academic support	332,499	330,168
Student services	1,609,140	1,522,893
Institutional support	2,946,876	3,197,179
Plant operations and maintenance	1,245,746	1,116,034
Depreciation	929,057	931,937
Student aid	436,683	245,444
Auxiliary enterprises	855,821	1,048,740
Total operating expense	15,543,467	15,029,709
Operating loss	(7,258,252)	(7,493,381)
Nonoperating revenues (expenses):		
State appropriations	6,021,986	5,908,052
Interest expense	(43,830)	(44,234)
Other		438,101
Total nonoperating revenues	5,978,156	6,301,919
Loss before other revenues, expenses, gains or losses	(1,280,096)	(1,191,462)
Other revenues—capital grants	307,954	307,954
DECREASE IN NET ASSETS	(972,142)	(883,508)
NET ASSETS:		
Beginning of year	15,009,080	15,892,588
End of Year	$14,036,938	$15,009,080

The accompanying notes are an integral part of the financial statements.

EDISON STATE COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 4,371,795	$ 3,313,045
Grants and contracts	2,355,175	1,816,767
Payments to vendors and employees	(14,537,487)	(13,500,589)
Auxiliary enterprise	1,114,200	1,177,097
Other receipts	634,335	665,344
Net cash used in operating activities	(6,061,982)	(6,528,336)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES—		
State appropriations	6,021,986	5,908,052
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants	307,954	307,954
Purchases of capital assets	(53,384)	(15,016)
Interest paid on outstanding debt	(43,830)	(44,234)
Principal paid on outstanding debt	(64,942)	(61,411)
Net cash provided by capital and related financing activities	145,798	187,293
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investments	1,250,000	1,688,001
Purchase of investments	(1,274,614)	(1,242,064)
Net cash provided by investing activities	(24,614)	446,037
NET INCREASE IN CASH AND CASH EQUIVALENTS	81,188	13,046
CASH AND CASH EQUIVALENTS:		
Beginning of year	851,974	838,928
End of year	$ 933,162	$ 851,974
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES—Operating loss	$(7,258,252)	$ (7,493,381)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Depreciation	929,057	931,937
Changes in assets and liabilities:		
Accounts receivable, net	30,049	(560,158)
Inventories	4,065	(51,669)
Prepaid expenses and other	(18)	17,609
Accounts payable and accruals	(20,250)	112,771
Accrued salaries, wages and benefits	21,643	192,385
Deferred student fee income	231,724	322,170
Net cash used in operating activities	$(6,061,982)	$ (6,528,336)

The accompanying notes are an integral part of the financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Description of 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 Government 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. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. In accordance with GASB Statement No. 35, the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows are reported on a consolidated basis.

Pursuant to GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, 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 on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

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

Invested in Capital Assets—capitalized physical assets, net of accumulated depreciation.

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

Cash and Cash Equivalents can include cash, certificates of deposit, and money market funds, stated at cost which approximates fair value.

Deferred Student Fee Income 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.

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 as appropriate. 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	10 years

In fiscal year 2002, the College increased its capitalization limit for equipment, furniture and fixtures from $500 to $5,000.

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.

Use of Estimates—The preparation of 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 and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements—Effective July 1, 2001, the College adopted GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis-for Public Colleges and Universities—an amendment of GASB Statement No. 34*." Also effective July 1, 2001, the College adopted two related GASB Statements: GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements establish comprehensive new financial reporting requirements for governmental colleges and universities throughout the United States. Much of the reporting of the College has been restructured and includes management discussion and analysis.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*, was issued in May 2002. This Statement amends Statement 14 to provide additional guidance to determine whether 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 entity. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of an institution. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2003. The College believes, based on a preliminary assessment of the Statement, that the Edison Foundation will be included as a component unit of the College in its financial statements beginning in fiscal year 2004.

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.

B. CASH AND INVESTMENTS

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. The classification of cash and cash equivalents, and investments in the financial statements is based on criteria set forth in GASB Statement No. 3. Cash equivalents are defined to include investments with original maturities of three months or less. The funds in the State Treasurer's investment pool are classified as investments.

Deposits—At June 30, 2003, the carrying amounts of the College's deposits were $931,325 (included in cash and cash equivalents in the balance sheet) and the bank balances were $1,327,398. The differences between carrying amounts and bank balances are primarily due to outstanding checks and deposits in transit at June 30, 2003. 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 $359,115. The remaining balances of $968,283, were uninsured and were held in accounts collateralized by a pooled collateral account at the Federal Reserve Bank of Cleveland and by a government security fund in the name of the pledging bank. These arrangements are in compliance with the Ohio Revised Code.

Investments—The College's only investments as of June 30, 2003 were with the State Treasurer's Investment Pool ("STAR Ohio"). 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, 2003. This investment is not required to be classified into risk categories set forth in GASB Statement No. 3. The College's deposit in STAR Ohio as of June 30, 2003 was $1,730,017.

C. ACCOUNTS RECEIVABLE

Receivables consist of billings for student fees and receivables arising from grants and are summarized as follows:

	2003	2002
Student charges	$2,252,983	$2,112,703
Post secondary enrollment options program	474,677	493,562
Other	63,378	204,591
Allowance for doubtful accounts	(94,719)	(84,488)
	$2,696,319	$2,726,368

D. CAPITAL ASSETS

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

	Balance June 30, 2002	Additions	Retirements	Balance June 30, 2003
Land and improvements	$ 1,220,414	$ -	$ -	$ 1,220,414
Buildings and improvements	9,525,180	32,400		9,557,580
Student conference center	6,184,703			6,184,703
Equipment	2,134,534	20,984		2,155,518
Vehicles	96,900			96,900
Library books	1,508,716			1,508,716
Total	20,670,447	53,384		20,723,831
Less accumulated depreciation:				
Land improvements	368,063	13,115		381,178
Building and improvements	4,619,226	235,514		4,854,740
Student conference center	1,125,688	167,781		1,293,469
Equipment	1,097,177	207,528		1,304,705
Vehicles	85,088	3,375		88,463
Library books	452,615	301,744		754,359
	7,747,857	929,057		8,676,914
Capital assets, net	$12,922,590	$ (875,673)	$ -	$12,046,917

	Balance June 30, 2001	Additions	Retirements	Balance June 30, 2002
Land and improvements	$ 1,220,414	$ -	$ -	$ 1,220,414
Buildings and improvements	9,525,180			9,525,180
Student conference center	6,184,703			6,184,703
Equipment	2,119,517	15,017		2,134,534
Vehicles	96,900			96,900
Library books	1,508,716			1,508,716
Total	20,655,430	15,017		20,670,447
Less accumulated depreciation:				
Land improvements	354,948	13,115		368,063
Building and improvements	4,384,523	234,703		4,619,226
Student conference center	957,907	167,781		1,125,688
Equipment	885,958	211,219		1,097,177
Vehicles	81,713	3,375		85,088
Library books	150,871	301,744		452,615
	6,815,920	931,937		7,747,857
Capital assets, net	$ 13,839,510	$ (916,920)	$ -	$ 12,922,590

E. LONG TERM LIABILITIES

Long-term liabilities activity for the years ended June 30, 2003 and 2002, is summarized as follows:

2003	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 402,998	$ 40,622	$ 27,247	$ 416,373	$ 282,718
Bonds payable	738,589		64,942	673,647	68,676
	$ 1,141,587	$ 40,622	$ 92,189	$ 1,090,020	$ 351,394

2002	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 325,525	$ 129,211	$ 51,738	$ 402,998	$ 292,758
Bonds payable	800,000		61,411	738,589	64,942
	$ 1,125,525	$ 129,211	$ 113,149	$ 1,141,587	$ 357,700

Bonds payable consists of a 5.75% Series 2001 Revenue Bond due December 2010, with scheduled maturities as follows:

Year Ended June 30	Principal	Interest	Total
2004	$ 68,676	$ 36,760	$ 105,436
2005	72,625	32,698	105,323
2006	76,801	28,402	105,203
2007	81,217	23,859	105,076
2008	85,887	19,055	104,942
2009–2010	288,441	25,496	313,937
Total	$ 673,647	$ 166,270	$ 839,917

All general receipts from the bookstore are pledged as collateral under the bond payable.

F. STATE SUPPORT

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

In addition to the student subsidies, the State of Ohio provides the funding for construction and renovation of major plant facilities on the College campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission ("OPFC"), which in turn causes the construction and renovation of the facility by the Ohio Board of Regents. Upon completion of a construction project, the Board of Regents turns over control to the College which capitalizes the cost. Renovations are capitalized in the period incurred. During the years ended June 30, 2003 and 2002, there was no funding from the State of Ohio to the College for 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.

G. LEASE AGREEMENT

The College currently has a ten-year operating lease agreement with Darke County for the facilities located in Greenville, Ohio. At June 30, 2003, minimum lease payments under this lease were as follows:

Year Ended June 30	
2004	$ 94,914
2005	94,914
2006	94,914
2007	94,914
2008	94,914
2009-2011	292,650
Total minimun lease payment	$ 767,220

H. RETIREMENT PLANS

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

The financial statements and 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) 466-2085

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

OPERS plan members are required to contribute 8.5% of their annual salary, and STRS members contribute 9.3%. The College is required to contribute 13.55% and 14.00% of annual covered payroll for OPERS and STRS, respectively. The contribution requirements of plan members and the College are established and may be amended by state statute. The College's contributions to OPERS and STRS for the years ended June 30, 2003, 2002 and 2001 were as follows:

	Contribution	
Years	OPERS	STRS
2003	$385,917	$518,715
2002	372,932	548,641
2001	271,273	529,557

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

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

Under the provisions of ARP, the required contribution rates of plan participants are 9.3% and 8.5% 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 $43,070 and $35,512, and the College contributions to the Plan providers amounted to $37,530 and $30,401, respectively, for the years ended June 30, 2003 and 2002. In addition, the amounts contributed to STRS by the College on behalf of ARP participants were $10,751 and $10,389, respectively, for the years ended June 30, 2003 and 2002.

I. 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 retirants (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% of the total 13.55% for the year ended June 30, 2003.

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 $3.011 billion as of June 30, 2002. The number of benefit recipients eligible for OPEB was 105,300 for STRS at June 30, 2002. The amount contributed by the College to STRS to fund these benefits was $166,730 for the year ended June 30, 2003.

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, 2001 is $11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $16.4 billion and $4.8 billion, respectively. The number of OPERS active contributing participants was 402,041 for the year ended December 31, 2000. For the year ended June 30, 2003, the College contributed $122,468 to OPERS for OPEB funding, which is equal to the actuarially required contributions of the Plan.

J. 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.

K. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the current fund or other applicable funds. It is the opinion of management that any potential disallowance of claims would not have a material effect on the financial statements.

L. RELATED ORGANIZATION

The College is the sole beneficiary of Edison State Community College Foundation, Inc., a separate, not-for-profit entity governed by a separate Board of Trustees. Net assets of the Foundation totaled approximately $1,700,000 at June 30, 2003. Such assets relate principally to donor-restricted funds and are not included in the accompanying financial statements. During the years ended June 30, 2003 and 2002, the Foundation contributed to the College approximately $52,000 and $61,800 for scholarships and $38,000 and $79,000 for institutional support, respectively.

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EDISON STATE COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

Federal Grant or Pass-Through Grant/Program Title	Federal CFDA Number	Expenditures
US Department of Education:		
Direct-Student Financial Assistance Cluster:		
Federal Supplemental Educational Opportunity Grant	84.007	$ 64,161
Federal Family Education Loan	84.032	
Federal Work-Study	84.033	48,689
Federal Pell Grant	84.063	1,837,881
Total Student Financial Assistance Cluster		1,950,731
Passed Through State of Ohio Department of Education:		
Vocational Education	84.048	27,597
Tech Prep	84.243	99,279
Total Passed Through State of Ohio Department of Education		126,876
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 2,077,607

EDISON STATE COMMUNITY COLLEGE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards reflects the expenditures on an accrual basis of Edison State Community College under programs financed by the U.S. government for the year ended June 30, 2003. Because the schedule presents only a selected portion of the operations included in the College's financial statements, it is not intended to, and does not, present the financial position, changes in fund balance and current funds revenues, expenditures and other changes.

For purposes of the schedule, Federal Awards include the following:

- Direct federal awards
- Pass-through funds received from non-Federal organizations under Federally sponsored programs conducted by those organizations.

B. FEDERAL FAMILY EDUCATION LOAN PROGRAM

The Federal Family Education Loan Program (Federal CFDA Number 84.032) loans issued to students of the College by financial institutions and processed by the College during the year ended June 30, 2003, are summarized as follows:

Federal Subsidized Stafford Loans	$ 755,190
Federal Unsubsidized Stafford Loans	959,983
Federal Parental Loans for Undergraduate Students	7,375
	$ 1,722,548

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.

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& Touche

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

Board of Trustees
Edison State Community College and
Betty Montgomery, Auditor of the State of Ohio

We have audited the financial statements of Edison State Community College (the "College") as of and for the year ended June 30, 2003, and have issued our report thereon dated October 3, 2003. 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 of America.

Compliance

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we have communicated other observations involving the internal control over financial reporting to the management of the College in a separate letter dated October 3, 2003.

* * * * * *

This report is intended solely for the information and use of the Board of Trustees and management of the College, the U.S. Department of Education, applicable pass-through agencies and the Auditor of the State of Ohio, and is not intended to be and should not be used for by anyone other than these specified parties.

Deloitte & Touche LLP

October 3, 2003

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

Board of Trustees
Edison State Community College and
Betty Montgomery, Auditor of the State of Ohio

Compliance

We have audited the compliance of Edison State Community College (the "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 its major federal program for the year ended June 30, 2003. The College's major federal program is identified in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 of America; 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, the College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the College's internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

* * * * * *

This report is intended solely for the information and use of the Board of Trustees and management of the College, the U.S. Department of Education, applicable pass-through agencies and the Auditor of the State of Ohio, and is not intended to be and should not be used for by anyone other than these specified parties.

Deloitte & Touche LLP

October 3, 2003

EDISON STATE COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2003

1. Summary of auditors' results:

   - Type of Report on the Financial Statements – Unqualified Opinion.

   - Material Weaknesses in Internal Control Over Financial Reporting – None noted

   - Reportable Conditions in Internal Control over Financial Reporting Identified which are not Considered to be Material Weaknesses – None noted

   - Instances of Noncompliance that were Material to the Financial Statements. – None

   - Material Weakness in Internal Control Over Compliance With Requirements Applicable to Major Federal Awards Programs – None

   - Reportable Conditions in Internal Control over Compliance with Requirements Applicable to Major Federal Awards Programs Identified which are not Considered to be Material Weaknesses – None noted

   - Type of Report on Compliance for Major Programs – Unqualified.

   - Audit Findings Required by OMB A-133 to be Reported by the Auditor – None

   - Major Programs – The major program was student financial assistance which encompasses those Department of Education programs included in this cluster and shown on the Schedule of Expenditures of Federal Awards (CFDA Nos. 84.007, 84.032, 84.033, and 84.063).

   - Dollar Threshold Used to Distinguish Between Type A and Type B programs – $300,000.

   - Low-Risk Auditee – The College qualified as a low-risk auditee, however, student financial assistance was considered a high-risk Type A program which resulted in audit coverage in excess of 50% of total Federal expenditures.

2. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Government Auditing Standards – No matters are reportable.

3. Findings and Questioned Costs for Federal Awards – No matters are reportable.

Auditor of State
Betty Montgomery

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EDISON STATE COMMUNITY COLLEGE

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 20, 2003