

EDISON STATE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2009



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2008-09 fiscal year are listed below:

	<u>County</u>
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Dr. Randall T. Parrish, Jr., Vice Chairman	Hendry
Ann E. Berlam	Collier
JoAnn P. Helphenstine, from 8-07-08 (1)	Charlotte
W. Mahlan Houghton, Jr.	Lee
Dr. David M. Klein	Charlotte
Mary Lee Mann	Lee
Julia G. Perry	Glades
Christopher T. Vernon, J.D.	Collier

Dr. Kenneth P. Walker, President

Note: (1) Board member position was vacant from July 1, 2008, through August 6, 2008.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Claudia A. Salgado, and the audit was supervised by Deirdre F. Waigand, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

EDISON STATE COLLEGE
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY.....	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets.....	13
Statement of Revenues, Expenses, and Changes in Net Assets.....	15
Statement of Cash Flows.....	16
Notes to Financial Statements.....	18
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>.....	
Internal Control Over Financial Reporting.....	40
Compliance and Other Matters.....	41

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the College's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

Audit Objectives and Scope

Our audit objectives were to determine whether Edison State College and its officers with administrative and stewardship responsibilities for College operations had:

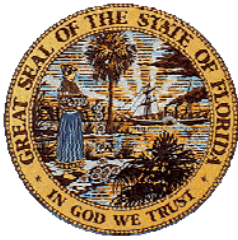
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the College's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2010-040.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent College records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
Tallahassee, Florida 32399-1450



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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Edison State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2009, which collectively comprise the College's basic financial statements as shown on pages 13 through 39. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Edison State College and of its discretely presented component unit as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Edison State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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 considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 12 is not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Respectfully submitted,



David W. Martin, CPA
March 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2009, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

COLLEGE NAME CHANGE

The College's Board of Trustees approved the name change from Edison College to Edison State College on August 18, 2008, pursuant to Section 1001.60(2)(b), Florida Statutes.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$149 million at June 30, 2009. This balance reflects a \$25 million, or 20.2 percent, increase from the 2007-08 fiscal year, primarily due to a \$13.1 million increase in capital outlay appropriations due from the State and an \$8.5 million increase in capital assets. Liabilities totaled \$11 million at June 30, 2009, which reflects an increase of \$0.6 million, or 5.8 percent, from the prior year. As a result, the College's net assets increased by \$24.4 million, reaching a year-end balance of \$138 million.

The College's operating revenues totaled \$24.9 million for the 2008-09 fiscal year, representing a 27.5 percent increase over the 2007-08 fiscal year due mainly to a 5 percent increase in the student tuition rate accompanied by a 22.2 percent increase in student enrollment, an increase in amounts from nongovernmental grants and contracts, and the lease of its excess Education Broadband Station bandwidth. Operating expenses totaled \$65.7 million for the 2008-09 fiscal year, representing an increase of 14.3 percent over the 2007-08 fiscal year primarily due to authorized pay increases and increases in health insurance costs.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. These statements provide information on Edison State College as a whole and present a long-term view of Edison State College's finances, and include activities for the following:

- Edison State College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Edison State College Foundation, Inc. (Discretely Presented Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida. The Foundation's fiscal year is from April 1st through March 31st. As a result, the Foundation's financial activities presented in the MD&A and accompanying financial statements are for the years ended March 31, 2009, and 2008, respectively.
- Edison State College Financing Corporation (Blended Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its

financial activities to the State of Florida. Based on the application of the criteria for determining component units, the Financing Corporation is included within the College's reporting entity as a blended component unit. The Financing Corporation's fiscal year is from April 1st through March 31st. As a result, the Financing Corporation's financial activities are included in the MD&A and accompanying financial statements are for the years ended March 31, 2009, and 2008, respectively.

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, "Is Edison State College, as a whole, better 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. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Edison State College's operating results.

These two statements report Edison State College's net assets and changes in them. You can think of the College's net assets, the difference between assets and liabilities, as one way to measure the College's financial health or financial position. 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 nonfinancial factors, such as certain trends, student retention, condition of buildings, and the safety of the campus, to assess the overall financial health of the College.

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

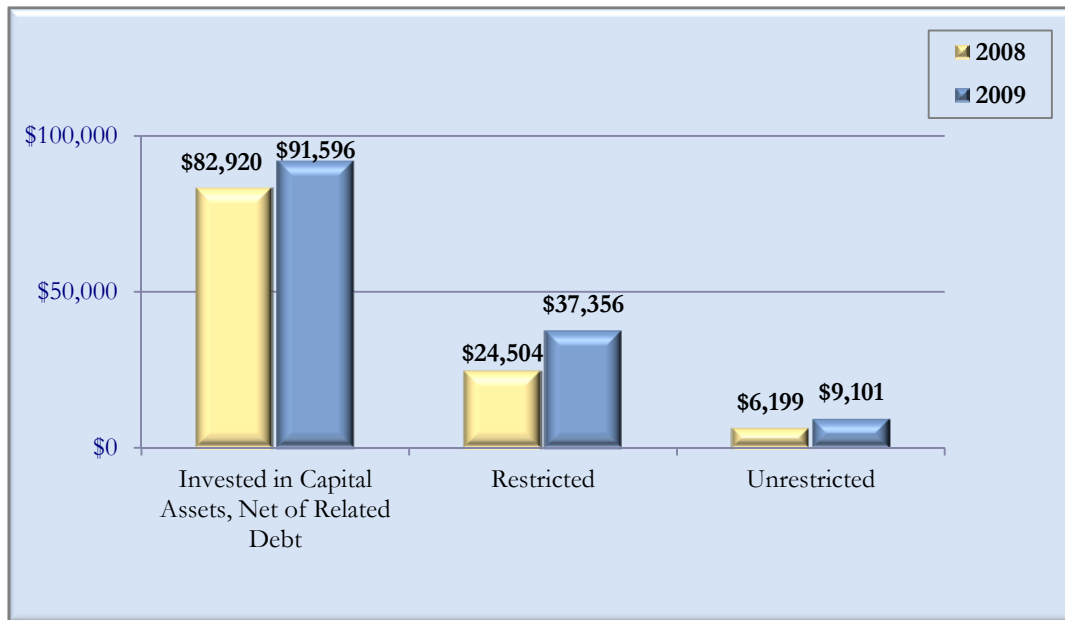
A condensed statement of assets, liabilities, and net assets for the College and its discretely presented component unit for the respective periods ended is shown in the following table:

**Assets, Liabilities, and Net Assets at
(In Thousands)**

	College		Component Unit	
	6-30-09	6-30-08	3-31-09	3-31-08
Assets				
Current Assets	\$ 47,167	\$ 28,715	\$ 1,272	\$ 2,322
Capital Assets, Net	94,176	85,640		
Other Noncurrent Assets	7,792	9,745	39,685	53,338
Total Assets	149,135	124,100	40,957	55,660
Liabilities				
Current Liabilities	4,246	3,896	5,158	10,990
Noncurrent Liabilities	6,836	6,581		
Total Liabilities	11,082	10,477	5,158	10,990
Net Assets				
Invested in Capital Assets, Net of Related Debt	91,596	82,920		
Restricted	37,356	24,504	31,657	28,372
Unrestricted	9,101	6,199	4,142	16,298
Total Net Assets	\$ 138,053	\$ 113,623	\$ 35,799	\$ 44,670
Increase (Decrease) in Net Assets	\$ 24,430 21.5%		\$ (8,871) -19.9%	

The following chart presents the College's net assets as of June 30:

**Net Assets: College
(In Thousands)**



Revenues and expenses of the College and its component unit for the respective periods ended are shown in the following table:

**Operating Results for the Periods Ended
(In Thousands)**

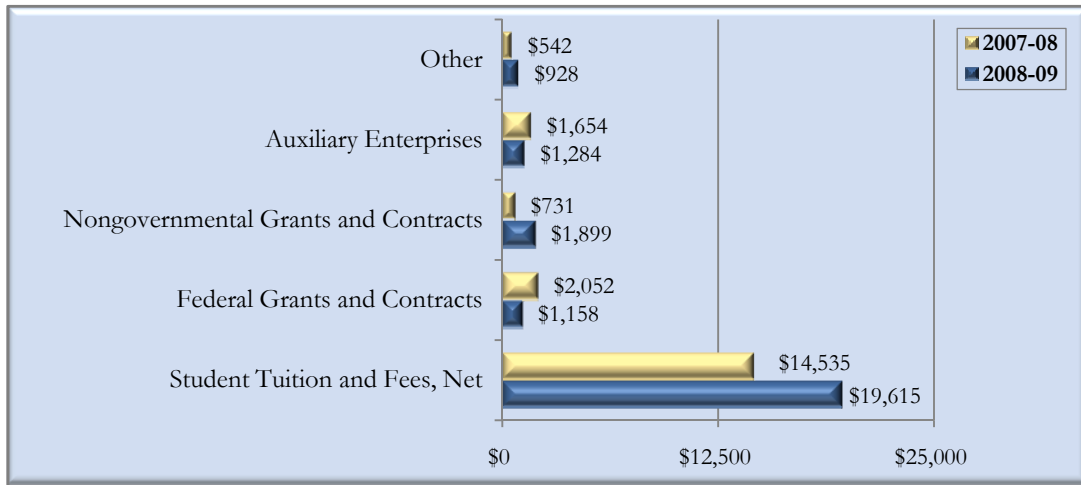
	College		Component Unit	
	6-30-09	6-30-08	3-31-09	3-31-08
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 19,615	\$ 14,535	\$	\$
Federal Grants and Contracts	1,158	2,052		
Nongovernmental Grants and Contracts	1,899	731	5,397	6,902
Auxiliary Enterprises	1,284	1,654		
Other Operating Revenues	928	542	1,597	45
Total Operating Revenues	24,884	19,514	6,994	6,947
Less, Operating Expenses	65,660	57,431	5,948	3,338
Operating Income (Loss)	(40,776)	(37,917)	1,046	3,609
Nonoperating Revenues (Expenses)				
State Appropriations	24,130	27,737		
Other Nonoperating Revenues	15,904	12,554	1,415	3,471
Other Nonoperating Expenses	(95)	(74)	(12,048)	(4,855)
Net Nonoperating Revenues (Expenses)	39,939	40,217	(10,633)	(1,384)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
	(837)	2,300	(9,587)	2,225
Capital Appropriations	23,218	10,109		
Capital Grants, Contracts, Gifts, and Fees	2,049	76	516	1,829
Increase to Permanent Endowments			200	142
Increase (Decrease) in Net Assets	24,430	12,485	(8,871)	4,196
Net Assets, Beginning of Year	113,623	101,138	44,670	40,474
Net Assets, End of Year	\$ 138,053	\$ 113,623	\$ 35,799	\$ 44,670

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of similar value.

The following chart presents the College’s operating revenues for the 2008-09 and 2007-08 fiscal years:

**Operating Revenues: College
(In Thousands)**



When compared to the prior fiscal year, the College’s operating revenues increased by \$5.4 million, or 27.5 percent, due primarily to the 5 percent increase in the student tuition rate, an increase in enrollment, an increase in amounts from Federal and nongovernmental grants and contracts, and the lease of its excess Education Broadband Station bandwidth.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

Operating expenses for the College and its discretely presented component unit for the respective periods ended are presented in the following table:

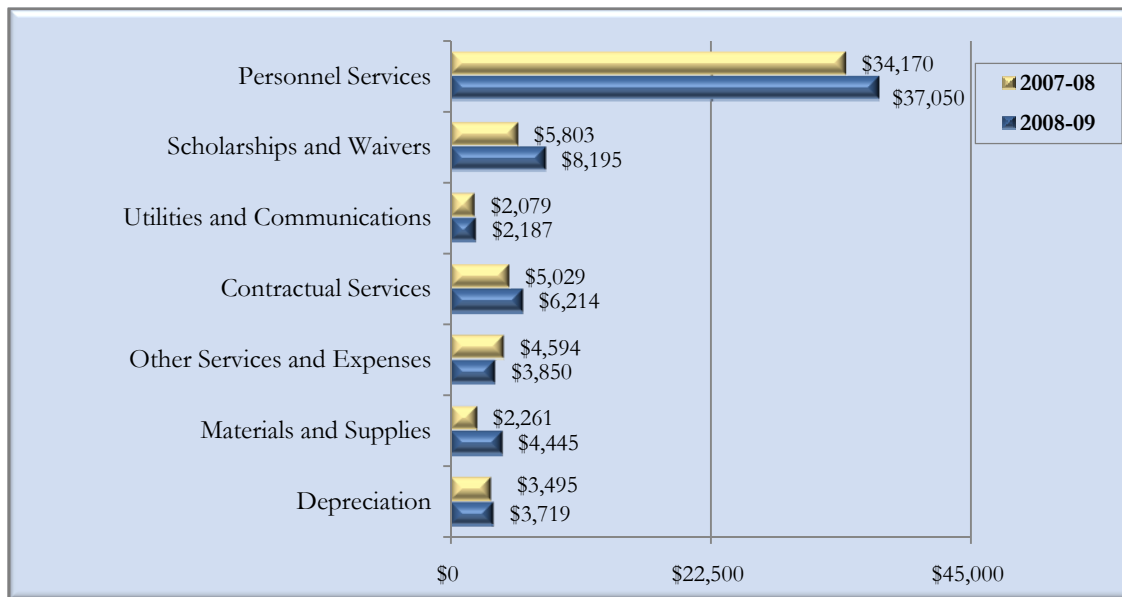
**Operating Expenses for the Periods Ended
(In Thousands)**

	College		Component Unit	
	6-30-09	6-30-08	3-31-09	3-31-08
Operating Expenses				
Personnel Services	\$37,050	\$34,170	\$	\$
Scholarships and Waivers	8,195	5,803	3,202	2,431
Utilities and Communications	2,187	2,079		
Contractual Services	6,214	5,029	2,063	280
Other Services and Expenses	3,850	4,594	683	627
Materials and Supplies	4,445	2,261		
Depreciation	3,719	3,495		
Total Operating Expenses	\$65,660	\$57,431	\$5,948	\$3,338

Operating expense changes were primarily the result of an increase in personnel costs due to authorized pay increases and increases in health insurance benefit costs. Scholarships and waivers increased due to the increase in student enrollment. Contractual services increased due to services being performed by third parties rather than in-house. Other services and expenses decreased due to decreased spending for repairs and maintenance, noncapitalized expenditures, and printing. Materials and supplies increased due to increased costs of noncapitalized software and information technology supplies.

The following chart presents the College’s expenses for the 2008-09 and 2007-08 fiscal years:

**Operating Expenses: College
(In Thousands)**



Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses

include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2008-09 and 2007-08 fiscal years:

**Nonoperating Revenues (Expenses): College
(In Thousands)**

	2008-09	2007-08
State Appropriations	\$ 24,130	\$ 27,737
Gifts and Grants	12,948	8,654
Investment Income	403	879
Other Nonoperating Revenue	2,553	3,021
Other Nonoperating Expenses	(95)	(74)
Net Nonoperating Revenues	\$ 39,939	\$ 40,217

Other Revenues, Expenses, Gains, or Losses

This category is mainly comprised of capital appropriations. The following summarizes the College's other revenues, expenses, gains, or losses for the 2008-09 and 2007-08 fiscal years:

**Other Revenues, Expenses, Gains, or Losses: College
(In Thousands)**

	2008-09	2007-08
Capital Appropriations	\$ 23,218	\$ 10,109
Capital Grants, Contracts, Gifts, and Fees	2,049	76
Total	\$ 25,267	\$ 10,185

The \$13.1 million increase in capital appropriations is due to a significant increase in Public Education Capital Outlay funding for general renovation and remodeling at all campuses, the Health Science Annex Addition (Nursing Building at the Lee Campus), and the Classrooms and Labs Remodel/Renovation at the Lee and Collier Campuses.

THE STATEMENT OF CASH FLOWS

Another way to assess the financial health of an institution 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 an 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 need for external financing.

A summary of the College's cash flows for the 2008-09 and 2007-08 fiscal years is presented in the following table:

**Condensed Statement of Cash Flows: College
(In Thousands)**

	<u>2008-09</u>	<u>2007-08</u>
Cash Provided (Used) by:		
Operating Activities	\$ (36,896)	\$ (34,126)
Noncapital Financing Activities	39,635	38,549
Capital and Related Financing Activities	4,112	(1,902)
Investing Activities	<u>(9,579)</u>	<u>656</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,728)	3,177
Cash and Cash Equivalents, Beginning of Year	<u>20,988</u>	<u>17,811</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 18,260</u></u>	<u><u>\$ 20,988</u></u>

The College's cash inflows from operating activities were primarily provided by tuition and fees and grants and contracts. Cash inflows from student tuition and fees increased by \$4.7 million dollars as a result of increased student fee rate and increased enrollments. Cash outlays from operating activities were primarily for payments for employee wages and benefits of \$36.7 million, payments to suppliers for goods and services of \$12.8 million, and payments for scholarships of \$16.5 million. Cash outlays for payments to employees increased by \$2.1 million due to salary increases and cash outlays for payments for employee benefits increased by 0.7 million due to increases in health insurance costs.

State appropriations are the primary source of noncapital financing inflows. Other noncapital financing activities included gifts and grants considered nonexchange transactions in accordance with GASB Statement No. 35. Cash provided by noncapital financing activities increased \$1 million from the previous year. Cash flows from State appropriations decreased \$3.3 million and cash flows from gifts and grants increased by \$4.4 million. The cash flows from gifts and grants are primarily due to an increase in Federal Pell grants of \$3.7 million, or 62 percent.

The main capital and related activities include payments received under the Public Education Capital Outlay appropriation, proceeds from the issuance of debt, and receipt of capital related grants and gifts. Net cash provided by capital and related financing activities increased by \$6 million from the previous year. Outflows include purchases of capital assets of \$12.2 million for the acquisition of items related to ongoing construction projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2009, the College had \$144.4 million invested in capital assets, less accumulated depreciation of \$50.2 million, for net capital assets of \$94.2 million. Depreciation charges for the current fiscal year totaled \$3.7 million. The following table summarizes the College's capital assets for the 2008-09 fiscal year.

Capital Assets: College (In Thousands)				
Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 2,702	\$ 378	\$	\$ 3,080
Art Collections	147	145		292
Buildings	107,870	1,317		109,187
Other Structures and Improvements	11,788	531		12,319
Furniture, Machinery, and Equipment	4,795	1,011	210	5,596
Construction in Progress	5,042	9,738	869	13,911
Total	132,344	13,120	1,079	144,385
Less, Accumulated Depreciation:				
Buildings	35,329	3,483		38,812
Other Structures and Improvements	7,604	(251)		7,353
Furniture, Machinery, and Equipment	3,771	487	214	4,044
Total Accumulated Depreciation	46,704	3,719	214	50,209
Capital Assets, Net	\$ 85,640	\$ 9,401	\$ 865	\$ 94,176

Major capital projects completed during the 2008-09 fiscal year included the HVAC Chiller replacement for \$0.3 million and the fire main extension for \$0.2 million on the Lee and Charlotte Campuses, and other district-wide remodeling and renovation projects.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$2.6 million in long-term debt outstanding, comprised solely of State Board of Education (SBE) Capital Outlay Bonds issued on behalf of the College. These bonds mature serially and are secured by the College’s portion of the State-assessed motor vehicle license tax. Proceeds from these bonds are used to construct and renovate College facilities. More detailed information about the College’s long-term liabilities is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Edison State College’s economic condition is closely tied to that of the State of Florida and the southwest Florida region. Due to the current economic downturn the State has decreased the amounts appropriated for colleges. Although State appropriations comprised approximately 60 percent of total unrestricted general revenue, State Appropriations decreased 13 percent from the prior year. These decreases are expected to continue in the next few years.

Public education, by all indications, will continue to be a priority for Federal funding. The Obama administration recently pledged \$12 billion to the Nation’s community colleges. The State will have to rely on funds appropriated through the American Recovery and Reinvestment Act in order to properly fund the college system. The State will grant the moneys to the colleges as the part of the State Fiscal Stabilization Fund. Although the College maintains a healthy unrestricted net assets balance, it has reserved funds in order to meet its long term needs as the Federal

stimulus funding will cease to continue after the two years for which it has been earmarked. These factors indicate that current operations will be adequately funded for the future.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Executive Director of Financial Services, Edison State College, 8099 College Parkway, Fort Myers, FL 33919.

BASIC FINANCIAL STATEMENTS

**EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2009**

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 6,494,018	\$ 215,543
Restricted Cash and Cash Equivalents	4,579,915	
Investments	4,896,884	
Restricted Investments	5,335,232	
Accounts Receivable, Net	2,377,614	1,054,404
Notes Receivable, Net	178,351	
Due from Other Governmental Agencies	22,679,943	
Prepaid Expenses	624,777	2,252
Total Current Assets	<u>47,166,734</u>	<u>1,272,199</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	7,185,652	
Investments	95,268	
Restricted Investments	511,559	30,762,991
Depreciable Capital Assets, Net	76,893,201	
Nondepreciable Capital Assets	17,282,589	
Other Assets		8,922,156
Total Noncurrent Assets	<u>101,968,269</u>	<u>39,685,147</u>
TOTAL ASSETS	<u>\$ 149,135,003</u>	<u>\$ 40,957,346</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,225,141	\$ 83,231
Salary and Payroll Taxes Payable	401,477	
Retainage Payable	392,991	
Deferred Revenue	807,220	5,075,160
Deposits Held for Others	2,343	
Long-Term Liabilities - Current Portion:		
Bonds Payable	145,000	
Special Termination Benefits Payable	152,311	
Compensated Absences Payable	119,738	
Total Current Liabilities	<u>4,246,221</u>	<u>5,158,391</u>
Noncurrent Liabilities:		
Bonds Payable	2,435,000	
Special Termination Benefits Payable	110,719	
Compensated Absences Payable	4,250,032	
Postemployment Healthcare Benefits Payable	40,326	
Total Noncurrent Liabilities	<u>6,836,077</u>	
TOTAL LIABILITIES	<u>11,082,298</u>	<u>5,158,391</u>

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2009

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 91,595,790	\$
Restricted:		
Nonexpendable:		
Endowment	644,027	12,683,250
Expendable:		
Grants and Loans	1,512,317	
Scholarships	1,154,314	18,973,245
Capital Projects	33,964,315	
Debt Service	81,299	
Unrestricted	9,100,643	4,142,460
Total Net Assets	138,052,705	35,798,955
TOTAL LIABILITIES AND NET ASSETS	\$ 149,135,003	\$ 40,957,346

The accompanying notes to financial statements are an integral part of this statement.

**EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2009**

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$8,294,242	\$ 19,615,390	\$
Federal Grants and Contracts	1,158,502	
Nongovernmental Grants and Contracts	1,899,210	5,397,390
Auxiliary Enterprises	1,283,597	
Other Operating Revenues	927,672	1,596,798
Total Operating Revenues	24,884,371	6,994,188
EXPENSES		
Operating Expenses:		
Personnel Services	37,049,689	
Scholarships and Waivers	8,194,940	3,202,669
Utilities and Communications	2,186,766	
Contractual Services	6,214,054	2,062,808
Other Services and Expenses	3,850,028	682,945
Materials and Supplies	4,445,580	
Depreciation	3,719,284	
Total Operating Expenses	65,660,341	5,948,422
Operating Income (Loss)	(40,775,970)	1,045,766
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	24,129,603	
Gifts and Grants	12,948,386	
Investment Income	402,615	1,415,074
Other Nonoperating Revenues	2,552,970	
Other Nonoperating Expenses	(94,746)	(12,047,526)
Net Nonoperating Revenues (Expenses)	39,938,828	(10,632,452)
Loss Before Other Revenues, Expenses, Gains, or Losses	(837,142)	(9,586,686)
Capital Appropriations	23,218,456	
Capital Grants, Contracts, Gifts, and Fees	2,048,497	515,640
Increase to Permanent Endowments		199,781
Total Other Revenues	25,266,953	715,421
Increase (Decrease) in Net Assets	24,429,811	(8,871,265)
Net Assets, Beginning of Year	113,622,894	44,670,220
Net Assets, End of Year	\$ 138,052,705	\$ 35,798,955

The accompanying notes to financial statements are an integral part of this statement.

**EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2009**

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 19,322,849
Grants and Contracts	2,193,761
Payments to Suppliers	(12,848,134)
Payments for Utilities and Communications	(2,186,766)
Payments to Employees	(28,830,218)
Payments for Employee Benefits	(7,839,341)
Payments for Scholarships	(8,194,940)
Net Loans Issued to Students	(1,180,060)
Collection of Loans to Students	1,067,234
Auxiliary Enterprises	939,097
Other Receipts	660,282
	(36,896,236)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	24,405,072
Gifts and Grants	15,229,546
	39,634,618
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	15,378,420
Capital Grants and Gifts	1,233,074
Proceeds from Sale of Capital Assets	610
Purchases of Capital Assets	(12,265,263)
Principal Paid on Capital Debt and Leases	(140,000)
Interest Paid on Capital Debt and Leases	(94,746)
	4,112,095
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	402,613
Purchase of Investments	(9,981,350)
	(9,578,737)
Net Decrease in Cash and Cash Equivalents	(2,728,260)
Cash and Cash Equivalents, Beginning of Year	20,987,845
	\$ 18,259,585

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2009

	College
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (40,775,970)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,719,284
Changes in Assets and Liabilities:	
Receivables, Net	(1,580,155)
Prepaid Expenses	(25,889)
Accounts Payable	1,432,074
Salaries and Payroll Taxes Payable	46,446
Deferred Revenue	2,781
Deposits Held for Others	2,343
Loans to Students and Employees	(50,833)
Compensated Absences Payable	347,470
Special Termination Benefit Payable	(36,570)
Postemployment Healthcare Benefits Payable	22,783
	\$ (36,896,236)
NET CASH USED BY OPERATING ACTIVITIES	

The accompanying notes to financial statements are an integral part of this statement.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Edison State College¹, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by law and State Board of Education rules. However, the District Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and State Board of Education rules. Geographic boundaries of the District correspond with those of Charlotte, Collier, Glades, Hendry, and Lee Counties.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the District Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the District Board of Trustees are such that exclusion would cause the College's financial statements to be misleading or incomplete. Based upon the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activity are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Blended Component Unit. Based on the application of the criteria for determining component units, the Edison State College Financing Corporation (Financing Corporation) is included within the College's reporting entity as a blended component unit. The Financing Corporation is a not-for-profit Florida corporation under the provisions of Chapter 617, Florida Statutes, and is also a direct-support organization, as defined in Section 1004.70, Florida Statutes. The Financing Corporation is managed independently, outside the College's budgeting process, and its powers generally are vested in a governing board pursuant to various State Statutes. The Financing Corporation was established to finance and/or operate parking, student housing, and other capital projects for the exclusive benefit of the College and its students. Due to the substantial economic relationship between the Financing Corporation and the College, the financial activities of the Financing Corporation are included in the College's financial statement.

¹ The College's Board of Trustees approved the name change from Edison College to Edison State College on August 18, 2008, pursuant to Section 1001.60(2)(b), Florida Statutes.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

The Financing Corporation is audited by other auditors, pursuant to Section 1004.70(6), Florida Statutes. The Financing Corporation's audited financial statements are available to the public at the College.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Edison State College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2009.

The Foundation is also a direct-support organization, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, is financially accountable to the College. The Foundation is managed independently, outside the College's budgeting process, and its powers generally are vested in a governing board pursuant to various State statutes. The Foundation receives, holds, invests, and administers property and makes expenditures to or for the benefit of the College.

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
 - Notes to Financial Statements

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

timing of the measurements made, regardless of the measurement focus applied. The College's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The College's component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

The College follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is considered a nonoperating expense.

The statement of net assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the College's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash payments to

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, cash invested in money market mutual funds, and cash placed with the State Treasury Special Purpose Investment Account (SPIA) and State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool (LGIP). For the purpose of reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the SPIA and LGIP to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2009, the College reported as cash equivalents at fair value \$38,377 of moneys held in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's and had an effective duration of 1.84 years at June 30, 2009. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2009, the College reported as cash equivalents at fair value \$9,577 of moneys held in the LGIP administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The College's investments in the LGIP, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The LGIP carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 46 days as of June 30, 2009. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the LGIP to interest rate changes. The investments in the LGIP are reported at fair value, which is amortized cost.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Capital Assets. College capital assets consist of land; art collections; construction in progress; buildings; other structures and improvements; and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, Educational Equipment – 5 years
 - Furniture – 7 years

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of bonds payable, postemployment healthcare benefits payable, special termination benefits payables, and compensated absences payable that are not scheduled to be paid within the next fiscal year.

2. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments. Investments set

**EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The College’s investments at June 30, 2009, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B	
Surplus Funds Trust Fund	\$ 95,268
Federal Agency Obligations	10,232,116
Mutual Funds	<u>511,559</u>
Total College Investments	<u>\$ 10,838,943</u>

State Board of Administration Fund B Surplus Funds Trust Fund

On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund (LGIP) to also establish the Fund B Surplus Funds Trust Fund (Fund B). Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the LGIP.

At June 30, 2009, the College reported investments at fair value of \$95,268 for amounts held in Fund B. The College’s investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.5137 at June 30, 2009. The weighted-average life (WAL) of Fund B at June 30, 2009, was 6.87 years. A portfolio’s WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2009. WAL measures the sensitivity of Fund B to interest rate changes. The College’s investment in Fund B is unrated.

Other Investments

The College’s investments at June 30, 2009, included \$10,232,116 of Federal agency obligations reported at fair value. The College’s investments at June 30, 2009, also included \$511,559 that consisted of mutual funds reported at fair value that are held as part of its endowments.

The following risks apply to these investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College’s investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of nonoperating

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

funds (“core funds”) shall have a term appropriate to the need for funds but should not exceed three (3) years.

The College has \$1,612,000 in Federal agency obligations that have embedded options consisting of the option at the discretion of the issuer to call their obligation or pay a stated increase in the interest rate. The security is callable only on April 1, 2010.

The College utilizes “effective duration” as a measurement of interest rate risk and as of June 30, 2009, the Federal agency obligations had an effective duration of 0.32 years. The College’s investments in mutual funds at June 30, 2009, do not have reported maturities.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College’s investment policy only allows for investments that are authorized pursuant to Section 218.415(16), Florida Statutes. The College’s investments in Federal agency obligations at June 30, 2009, were rated between AAAM and AAA by and Standard & Poor’s at June 30, 2009. The College’s investments in mutual funds at June 30, 2009, were rated between Baa and Aaa by Moody’s and Standard & Poor’s at June 30, 2009.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College’s investment policy pursuant to Section 218.415(18), Florida Statutes, requires that securities, with the exception of certificates of deposits, shall be held with a third-party custodian; and all securities purchased by, and all collateral obtained by the College should be properly designated as an asset of the College. The securities must be held in an account separate and apart from the assets of the financial institution. A third-party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and is doing business in the State of Florida. Certificates of deposits will be placed in the provider’s safekeeping department for the term of the deposit.

As of June 30, 2009, the College’s Federal agency obligations were held with a third-party custodian as required by the College’s investment policy.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the College’s investments in a single issuer. The College’s investment procedures have established asset

**EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

allocation and issuer limits on the following investments that are designed to reduce concentration of credit risk of the College’s investment portfolio. A maximum of 100 percent of available funds may be invested in the Local Government Surplus Funds Trust Fund (SBA), money market mutual funds, or United States Government Securities; 50 percent of available funds may be invested in United States Government agencies; 80 percent of available funds may be invested in obligations of Federal agencies and instrumentalities; and 35 percent of available funds may be invested in nonnegotiable interest-bearing time certificates of deposit with a 5 percent limit on individual issuers.

Component Unit Investments

Investments held by the Edison State College Foundation, Inc., at March 31, 2009, consisted of money market and mutual funds and are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Money Market Mutual Funds	\$ 5,204,114
Mutual Funds:	
Equities (1)	14,115,826
Bonds	<u>11,443,051</u>
Total Component Unit Investments	<u><u>\$30,762,991</u></u>

Note: (1) Investment risk disclosures are not required for equity mutual funds.

Interest Rate Risk: As a means of managing its exposure to fair-value losses arising from increasing interest rates, the Foundation has established a target for the duration of its fixed-income portfolio to be between 3 and 7 years.

As of March 31, 2009, the maturities of the Foundation’s fixed-income (mutual funds-bonds) investments of \$11,443,051, by percentage of its portfolio, are presented in the following table:

<u>Investment Maturities</u>	<u>Percentage of Portfolio</u>
Less than 1 Year	15.2
1 - 3 years	41.8
4 - 5 years	22.4
5 - 7 years	8.4
7 - 9 years	4.1
9 or more years	<u>8.1</u>
Total	<u><u>100.0</u></u>

**EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

The Foundation’s investments in fixed income mutual funds are held as a portion of large mutual funds and are not individual securities held by the Foundation. Therefore, it is not possible to disclose maturities by actual security held. Instead, this disclosure is provided for the fixed-income mutual funds in total. Disclosure of maturities is not required for money market mutual funds.

Credit Risk: It is the Foundation’s policy that the investment grade portion of the fixed-income portfolio must be rated at the four (4) highest ratings (i.e.: single “A” or higher) or a comparable rating by Moody’s or Standard & Poor’s rating services, respectively. The high-yield portion of the fixed-income portfolio will consist of below investment-grade securities. There is no bottom limit on the ratings of the high-yield portfolio.

The Foundation’s money market and fixed-income (mutual funds-bonds) investments at March 31, 2009, were rated as follows:

Rating	Percent of Portfolio
_____	_____
Government Agency	54.6
Aaa	17.5
Aa	4.2
A	9.1
Baa	10.9
Other	3.7
Total	100.0
	=====

The Foundation’s investments in money market and fixed-income mutual funds are held as a portion of large mutual funds and are not individual securities held by the Foundation. Therefore, it is not possible to disclose credit ratings by actual security held. Instead, this disclosure is provided for the fixed-income mutual funds in total. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not have purchase limitations.

Custodial Credit Risk: The Foundation utilizes the services of investment managers. The investments held by these managers are uninsured and unregistered, with the securities held by the counterparty’s trust department or agent in the Foundation’s name. There were no losses during the period due to default by counterparties to investment transactions.

Concentration of Credit Risk: The Foundation’s policies state that the non-United States investment grade portion of the fixed-income portfolio must consist of securities of non-United States issuers located in at

**EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

least three non-United States countries. The Foundation's policies do not specifically limit the investments in debt securities.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for contracted auxiliary operations, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$238,412 allowance for uncollectible accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the short-term loan program. Notes receivable are reported net of a \$35,927 allowance for uncollectible notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$18,523,317 of Public Education Capital Outlay allocations due from the State for construction, renovation, and maintenance of College facilities.

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, is shown below:

**EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 2,701,569	\$ 378,261	\$	\$ 3,079,830
Art Collections	147,000	145,018		292,018
Construction in Progress	5,041,816	9,737,645	868,720	13,910,741
Total Nondepreciable Capital Assets	\$ 7,890,385	\$ 10,260,924	\$ 868,720	\$ 17,282,589
Depreciable Capital Assets:				
Buildings	\$ 107,870,833	\$ 1,316,612	\$	\$ 109,187,445
Other Structures and Improvements	11,787,742	531,034		12,318,776
Furniture, Machinery, and Equipment	4,794,954	1,011,005	209,604	5,596,355
Total Depreciable Capital Assets	124,453,529	2,858,651	209,604	127,102,576
Less, Accumulated Depreciation:				
Buildings	35,328,587	3,483,133		38,811,720
Other Structures and Improvements	7,604,439	(250,460)		7,353,979
Furniture, Machinery, and Equipment	3,770,868	486,611	213,803	4,043,676
Total Accumulated Depreciation	46,703,894	3,719,284	213,803	50,209,375
Total Depreciable Capital Assets, Net	\$ 77,749,635	\$ (860,633)	\$ (4,199)	\$ 76,893,201

7. DEFERRED REVENUE

Deferred revenue primarily consists of \$800,000 of Public Education Capital Outlay appropriations for which the College had not yet received approval from the Florida Department of Education, as of June 30, 2009, to spend the funds.

8. DEFERRED REVENUE – COMPONENT UNIT

The Foundation received contributions and grants with either time or eligibility requirements. The amounts are available when the restrictions have expired or eligibility requirements have been met. As of March 31, 2009, the following amounts related to these contributions were reported as deferred revenue:

Description	Amounts
Contingent Donation	\$ 600,000
Irrevocable Charitable Remainder Annuity Trusts	376,388
Pooled Gift Annuity	1,787,893
Irrevocable Trusts	10,879
Life Estate Trust	2,300,000
Total Long-Term Liabilities	\$ 5,075,160

**EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

9. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2009, include bonds, special termination benefits, compensated absences, and postemployment healthcare benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 2,720,000	\$	\$ 140,000	\$ 2,580,000	\$ 145,000
Special Termination Benefits Payable	299,600	45,540	82,110	263,030	152,311
Compensated Absences Payable	4,022,300	395,168	47,698	4,369,770	119,738
Postemployment Benefits Payable	17,543	22,783		40,326	
Total Long-Term Liabilities	\$ 7,059,443	\$ 463,491	\$ 269,808	\$ 7,253,126	\$ 417,049

Bonds Payable. The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College’s portion of the State-assessed motor vehicle license tax and by the State’s full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2009:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds:			
Series 2008A	\$ 1,435,000	3.25 - 5.00	2028
Series 2005B	60,000	5.0	2018
Series 2005A, Refunding	510,000	5.0	2017
Series 2005A, New Money	290,000	4.0 - 5.0	2025
Series 2004A	115,000	3.35 - 4.625	2024
Series 2002B	170,000	4.000 - 5.375	2014
Total Bonds Payable	\$ 2,580,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

**EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2010	\$ 145,000	\$ 122,189	\$ 267,189
2011	155,000	115,601	270,601
2012	160,000	108,328	268,328
2013	170,000	101,340	271,340
2014	165,000	93,340	258,340
2015-2019	645,000	357,624	1,002,624
2020-2024	605,000	218,023	823,023
2025-2028	535,000	64,413	599,413
Total	\$ 2,580,000	\$ 1,180,858	\$ 3,760,858

Special Termination Benefits Payable. On November 16, 1989, the Board approved a Retirement Incentive Program that established certain eligibility guidelines for employees to receive benefits under this Program. For qualifying employees, the Program provides payment of 50 percent of the cost of hospitalization and life insurance coverage for a period of 36 calendar months after the effective date of separation; payment for 50 percent of accumulated sick leave for the first 10 years of creditable service, plus an additional 2.5 percent of accumulated sick leave for each year of creditable service beyond 10 years to a maximum of 20 additional years; and a one-time only salary bonus. The College reported a special termination benefits payable for 12 employees of \$263,030 at June 30, 2009, of which \$152,311 represents the current portion.

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2009, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$4,369,770. The current portion of the compensated absences liability of \$119,738 is the amount expected to be paid in the coming fiscal year, and represents eligible payments for unused sick leave on behalf of regular retirees and/or Deferred Retirement Option Program participants to a deferred compensation annuity program.

Other Postemployment Benefits Payable. The College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits*

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Other Than Pensions, for certain postemployment healthcare and life insurance benefits administered by the Florida College System Risk Management Consortium (Consortium).

Plan Description. The College contributes to a cost-sharing, multiple-employer, defined-benefit plan administered by the Consortium. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the Consortium's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The College does not offer any explicit subsidies. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The College and the Consortium do not issue stand-alone annual reports for the Plans and they are not included in the annual report of a public employee retirements system or another entity.

Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contribution requirements can be amended by the Board of Trustees. The College has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 55 retirees received postemployment healthcare benefits and 76 retirees received postemployment life insurance benefits. The College did not provide for contributions toward the annual OPEB cost. Retiree contributions totaled \$318,796.

Annual OPEB Cost and Net OPEB Obligation. The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation:

**EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 15,926
Amortization of Unfunded Actuarial Accrued Liability	6,083
Interest on Normal Cost and Amortization	
Annual Required Contribution	22,009
Interest on Net OPEB Obligation	526
Adjustment to Annual Required Contribution	248
Annual OPEB Cost (Expense)	22,783
Contribution Toward the OPEB Cost	
Increase in Net OPEB Obligation	22,783
Net OPEB Obligation, Beginning of Year	17,543
Net OPEB Obligation, End of Year	\$ 40,326

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009, and for the current and transition years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	22,009	20.3%	17,543
2008-09	22,783	0.0%	40,326

Funded Status and Funding Progress. As of June 30, 2009, the actuarial accrued liability for benefits was \$229,158 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$229,158 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$23,249,339 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's initial OPEB actuarial valuation used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and to estimate the 2008-09 fiscal year ARC. This method was selected because it is the same method used in the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent initially for the 2008-09 fiscal year, reduced by 1 percent per year for two years, then 0.5 percent thereafter, to an ultimate rate of 5 percent. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected pay method. The remaining amortization period at June 30, 2009, was 28 years.

10. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability and death benefits and annual cost-of-living adjustments.

**EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2008-09 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class in which reemployed.

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$1,417,151, \$1,481,522, and \$1,487,906, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 129 College participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$451,072.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

State College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible college instructors and administrators. The Program is designed to aid colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes, on behalf of the participant, 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account.

There were 32 College participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$229,127.

Senior Management Local Annuity Optional Retirement Program. Effective July 1, 1991, the Board approved the adoption of an optional retirement plan under Section 121.055, Florida Statutes. Pursuant to the Statute, members of the Senior Management Service Class of the Florida Retirement System may make an irrevocable election to withdraw from the Florida Retirement System and participate in a Local Annuity Plan. The Plan complies with Section 403(b) of the Internal Revenue Code.

The College contributes an amount equal to a percentage of the participant's salary to an annuity plan provided by approved sponsors. The Board approves the College's contribution percentage rate each year. The participant does not make any contributions to the Plan. Each participant is fully vested immediately. During the 2008-09 fiscal year, there were four Plan participants, and the College contributed \$114,473 to the Local Annuity Plan.

**EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

11. OTHER TERMINATION BENEFITS

The College provides an IRS approved Code Section 401(a) pre-tax program for termination pay that permits the College to disburse termination pay in a tax-advantaged manner for both the College and the employee. Contributions are limited by IRS regulation. All employees in designated employee classes with at least 10 years of service at the time of separation are mandated to participate in this program. The College deferred \$317,787 in salaries for 13 employees during the 2008-09 fiscal year for the other termination benefits.

12. SAVINGS INCENTIVE PLAN

Effective January 1, 1994, the Board approved the adoption of a Savings Incentive Plan as provided by Section 403(b) of the Internal Revenue Code of 1986. Under the Plan, all full-time employees can elect to defer a portion of their salary within Internal Revenue Service guidelines. The College may make a matching employer contribution in an amount to be determined annually by the Board at its discretion. During the 2008-09 fiscal year, the College matched one dollar for every dollar up to the first three percent of employee compensation. Each employee is fully vested upon enrollment in the Plan, and is allowed to direct the investment of his or her account to any one of the various fund groups and insurance companies approved for investment by the College. During the 2008-09 fiscal year, the College contributed \$378,063 as matching funds under the Plan.

13. CONSTRUCTION COMMITMENTS

The College’s major construction commitments at June 30, 2009, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Nursing Building - Lee Campus:			
Construction Manager	\$ 12,981,527	\$ 937,195	\$ 12,044,332
Architect	1,240,765	911,106	329,659
Direct Materials	1,440,919	44,078	1,396,841
Rush Library - Lee Campus:			
Construction Manager	5,688,992	5,556,055	132,937
Architect	390,311	388,588	1,723
Total	\$ 21,742,514	\$ 7,837,022	\$ 13,905,492

14. OPERATING LEASE COMMITMENTS

The College rents office equipment and computers under operating leases, which expire on various dates through the year 2012. These leased assets and the related commitments are not reported on the College’s

**EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2010	\$ 211,420
2011	140,607
2012	<u>95,504</u>
Total Minimum Payments Required	<u><u>\$ 447,531</u></u>

15. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$200 million through February 28, 2009, and up to \$175 million effective March 1, 2009. Insurance coverage obtained through the Consortium included health and hospitalization, dental, life, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

16. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college's apportionment considering the following components: base budget, which includes the State appropriation to the College Program Fund in the current year plus the related student tuition and fees assigned in the current General Appropriations Act; the cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which are determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates

**EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

are deducted from the sum of these components to determine the net annual State apportionment to each college.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the College on an annual basis. The College is authorized to receive and expend these resources only upon applying for and receiving an encumbrance authorization from the Florida Department of Education.

The following is a summary of State revenue sources and amounts:

<u>Source</u>	<u>Amount</u>
Gross Receipts Tax (Public Education Capital Outlay)	\$ 22,887,805
College Program Fund	20,909,687
Education Enhancement Trust Fund (Lottery)	2,990,463
Bright Futures Scholarship Program	1,995,526
Florida Student Assistance Grants	806,454
Motor Vehicle License Tax (Capital Outlay and Debt Service)	335,981
Other State Sources	195,953
Baccalaureate Program	185,748
Total	\$ 50,307,617

17. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 21,137,662
Public Services	312
Academic Support	6,032,028
Student Services	6,073,442
Institutional Support	11,334,100
Operation and Maintenance of Plant	8,856,353
Scholarships and Fellowships	8,158,651
Depreciation	3,719,284
Auxiliary Enterprises	348,509
Total Operating Expenses	<u><u>\$ 65,660,341</u></u>



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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited the financial statements of Edison State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2009, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 opinions 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 College'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 College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College'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 the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, 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 noted certain operational matters that we reported to College management in our report No. 2010-040.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
March 15, 2010