REPORT NO. 2010-158
MARCH 2010

DAYTONA STATE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2009

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

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 Tina Z. Myers, and the audit was supervised by Keith A. Wolfe, 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.

DAYTONA STATE COLLEGE
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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 Daytona 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. 2010-001.

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.

AUDITOR GENERAL
STATE OF FLORIDA

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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 Daytona 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 12 through 41. 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 Daytona 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.

As discussed in note 2 to the financial statements, the Daytona State College, Foundation, Inc. (Foundation), changed the classification of ending net assets for the calendar year ended December 31, 2007, to reflect the reporting of restrictions on donations by donors. This change affects the comparability of amounts reported for the discretely presented component unit columns for ending nets assets for the calendar year ended December 31, 2008, to that of the prior calendar year.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Daytona 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 11, and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 42, are not required parts 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 25, 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.

FINANCIAL HIGHLIGHTS

The College's assets totaled $218 million at June 30, 2009. This balance reflects a $3.7 million, or 1.7 percent, increase from the 2007-08 fiscal year, resulting from an increase in due from the State for capital appropriations and gifts and grants. While assets grew, liabilities increased by a greater amount of $8.1 million, or 20 percent, totaling $48.5 million at June 30, 2009, compared to $40.4 million at June 30, 2008. As a result, the College's net assets decreased by $4.3 million, resulting in a year-end balance of $169.5 million.

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 financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College's finances, and include activities for the following entities:

- Daytona 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.
- Daytona State College Foundation, Inc. (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 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 Daytona 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 Daytona State College's operating results.

These two statements report Daytona 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 indication 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 the buildings, and the safety of the campus, to assess the College's overall financial health.

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 fiscal year's revenues and expenses are taken into account regardless of when cash is received or paid.

A condensed statement of assets, liabilities, and net assets of the College for the fiscal year ended June 30, 2009, and the College's component unit for the calendar year ended December 31, 2008, is shown in the following table:

Condensed Statement of Net Assets at
(In Thousands)

	College		Component Unit		
	6-30-09	6-30-08	12-31-08	Restated 12-31-07 (1)	
Assets					
Current Assets	$ 31,736	$ 25,924	$ 2,176	$ 2,067	
Capital Assets, Net	154,487	155,573			
Other Noncurrent Assets	31,758	32,769	17,718	25,623	
Total Assets	217,981	214,266	19,894	27,690	
Liabilities					
Current Liabilities	15,495	8,377	190	221	
Noncurrent Liabilities	32,980	32,053	43	29	
Total Liabilities	48,475	40,430	233	250	
Net Assets					
Invested in Capital Assets, Net of Related Debt	139,017	140,261			
Restricted	19,084	19,744	19,436	27,377	
Unrestricted	11,405	13,831	225	63	
Total Net Assets	$ 169,506	$ 173,836	$ 19,661	$ 27,440	
Decrease in Net Assets	$ (4,330) -2.5%		$ (7,779) -28.3%		

Note: (1) The component unit's restatement of net assets is discussed in note 2.

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

Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the Periods Ended
(In Thousands)

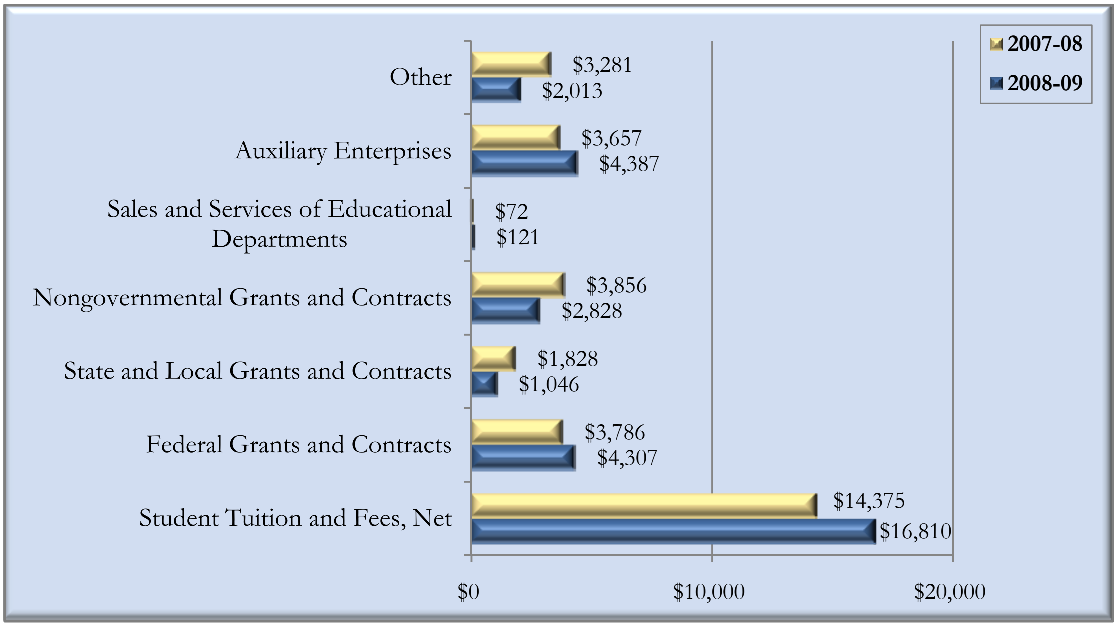
	College		Component Unit	
	6-30-09	6-30-08	12-31-08	12-31-07
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	$ 16,810	$ 14,375	$	$
Federal Grants and Contracts	4,307	3,786		
State and Local Grants and Contracts	1,046	1,828	424	2,702
Nongovernmental Grants and Contracts	2,828	3,856		
Sales and Services of Educational Departments	121	72		
Auxiliary Enterprises	4,387	3,657		
Other Operating Revenues	2,013	3,281	4,130	4,017
Total Operating Revenues	31,512	30,855	4,554	6,719
Less, Operating Expenses	115,167	113,628	4,752	5,757
Operating Income (Loss)	(83,655)	(82,773)	(198)	962
Nonoperating Revenues (Expenses)				
State Appropriations	50,467	55,712		
Other Nonoperating Revenues	24,418	20,879	628	2,097
Other Nonoperating Expenses	(1,563)	(899)	(8,209)	
Net Nonoperating Revenues (Expenses)	73,322	75,692	(7,581)	2,097
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(10,333)	(7,081)	(7,779)	3,059
Capital Appropriations	3,623	15,713		
Capital Grants, Contracts, Gifts, and Fees	2,380	1,778		
Increase (Decrease) in Net Assets	(4,330)	10,410	(7,779)	3,059
Net Assets, Beginning of Year	173,836	163,426	27,440	24,381
Net Assets, End of Year	$ 169,506	$ 173,836	$ 19,661	$ 27,440

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 gives or receives something of equal or 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)



College operating revenue changes were the result of the following factors:

- The College realized student tuition and fees in the amount of $16.8 million, net of $13.3 million of scholarship allowances, during the 2008-09 fiscal year. This represents a $2.4 million, or 16.9 percent, increase compared to prior fiscal year, which was due to an increase in enrollment and an increase in student tuition and fees approved by the Board.
- Operating revenues from State and local grants and contracts decreased by $0.8 million compared to the prior fiscal year due primarily to a decrease in State revenues for the 2008-09 fiscal year. Operating revenues from nongovernmental grants and contracts decreased by $1 million compared to the prior fiscal year due primarily to a decrease in private contributions as a result of the economic downturn with the local economy.

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.

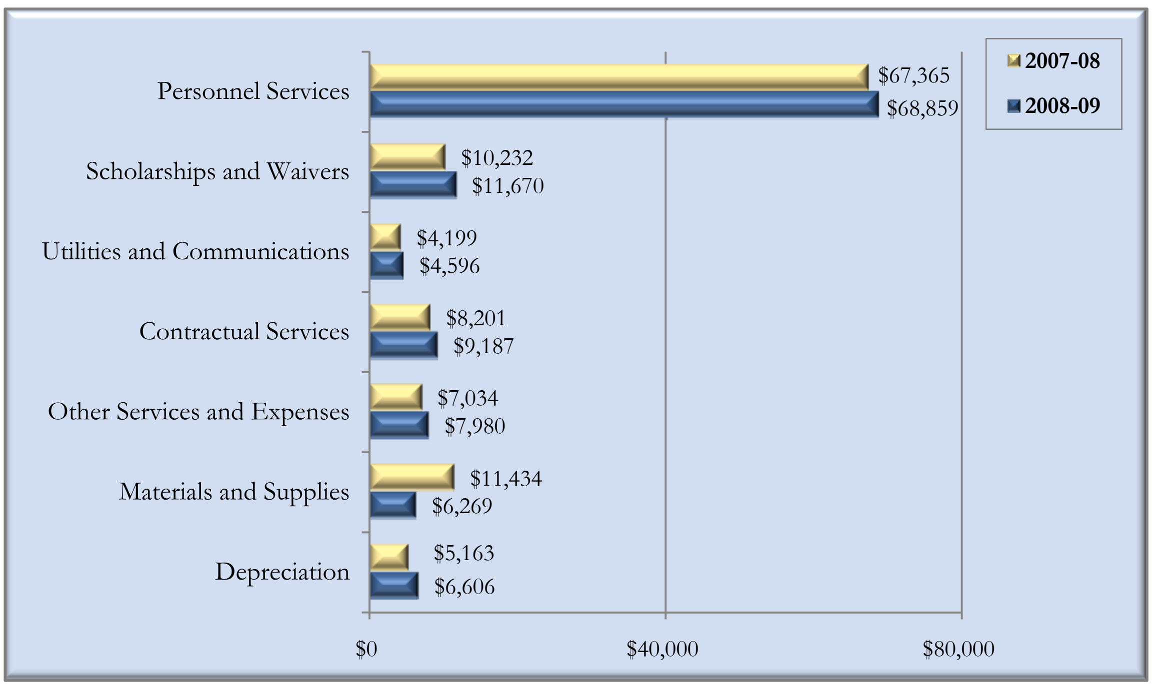
Operating expenses for the College and its component unit for the respective periods ended are presented in the following table:

Operating Expenses
(In Thousands)

	College		Component Unit	
	6-30-09	6-30-08	12-31-08	12-31-07
Operating Expenses				
Personnel Services	$ 68,859	$ 67,365	$ 204	$ 408
Scholarships and Waivers	11,670	10,232	91	583
Utilities and Communications	4,596	4,199		
Contractual Services	9,187	8,201	9	17
Other Services and Expenses	7,980	7,034	4,403	4,748
Materials and Supplies	6,269	11,434	45	1
Depreciation	6,606	5,163		
Total Operating Expenses	$ 115,167	$ 113,628	$ 4,752	$ 5,757

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

Operating Expenses: College
(In Thousands)



College operating expense changes were the result of the following factors:

- The primary operating expense for the College is personnel services, which totaled $68.9 million during the 2008-09 fiscal year. The College employs approximately 950 full-time employees and 510 adjunct faculty and part-time employees. Direct instructional salaries accounted for 49 percent of total salaries. Personnel services expenses increased by $1.5 million, or 2.2 percent, compared to the prior fiscal year due primary to a one time lump sum salary bonus awarded to each employee of the College.
- Scholarships and waivers increased by $1.4 million, or 14.1 percent, compared to the prior fiscal year primarily due to an increase in enrollment and scholarships awarded.
- Materials and supplies decreased by $5.2 million, or 45.2 percent, compared to the prior fiscal year, due mainly to the decrease in noncapitalized equipment purchases.

- Other significant operating expenses during 2008-09 fiscal year included: educational materials and supplies $1.5 million; insurance $2.3 million; utilities $3.9 million; and other services (primarily contractual services) $8.6 million.

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	$ 50,467	$ 55,712
Gifts and Grants	23,581	18,775
Investment Income	128	2,104
Other Nonoperating Revenues	4	
Interest on Capital Asset-Related Debt	(858)	(899)
Net Nonoperating Revenues	$ 73,322	$ 75,692

Total net nonoperating revenues for the College decreased by $2.4 million, or 3.1 percent, compared to the prior fiscal year due primarily to a decrease in State appropriations of $5.2 million because of a reduction in State funding, a decrease in investment income of $2 million as a result of current economic conditions, and these were offset by an increase in gifts and grants of $4.8 million, primarily due to an increase in Federal student financial aid.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations and capital grants, contracts, gifts, and fees. 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	$ 3,623	$ 15,713
Capital Grants, Contracts, Gifts, and Fees	2,380	1,778
Total	$ 6,003	$ 17,491

Capital appropriations decreased by $12.1 million, or 76.9 percent, compared to the prior fiscal year due primarily to a decrease in Public Education Capital Outlay funds for facility construction during the 2008-09 fiscal year.

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)

	2008-09	2007-08
Cash Provided (Used) by:		
Operating Activities	$ (75,668)	$ (79,550)
Noncapital Financing Activities	78,250	74,487
Capital and Related Financing Activities	(888)	(2,645)
Investing Activities	137	2,109
Net Increase (Decrease) in Cash and Cash Equivalents	1,831	(5,599)
Cash and Cash Equivalents, Beginning of Year	36,615	42,214
Cash and Cash Equivalents, End of Year	$ 38,446	$ 36,615

Major sources of cash flows came from State appropriations ($50.5 million), noncapital gifts and grants ($23.6 million), net student tuition and fees ($16 million), grants and contracts ($8.5 million), and auxiliary services ($4.4 million). Major uses of cash included payments to employees ($53 million), payments to suppliers ($23.9 million), and net loans issued to students ($14.1 million).

Changes in cash and cash equivalents were the result of the following factors:

- The net cash used for operating activities decreased by $3.9 million primarily due to the increase in tuition and fees.
- The net cash provided by noncapital financing activities increased by $3.8 million primarily due to the increase in student financial aid.
- The net cash used for capital and related financing activities decreased by $1.8 million primarily due to a significant decrease in the construction of capital assets.
- Cash provided by investing activities decreased by $2 million due to a decline in interest earnings as a result of current economic conditions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2009, the College had $232.8 million in capital assets, less accumulated depreciation of $78.3 million, for net capital assets of $154.5 million. Depreciation charges for the current fiscal year totaled $6.6 million. The following table summarizes the College's capital assets at June 30:

Capital Assets, Net at June 30: College
(In Thousands)

Capital Assets	2009	2008
Land	$ 11,408	$ 11,052
Buildings	174,088	168,169
Other Structures and Improvements	27,680	14,866
Furniture, Machinery, and Equipment	19,427	28,324
Artwork	45	
Construction in Progress	187	5,692
Total	232,835	228,103
Less, Accumulated Depreciation:		
Buildings	43,137	39,063
Other Structures and Improvements	18,010	14,424
Furniture, Machinery, and Equipment	17,201	19,043
Total Accumulated Depreciation	78,348	72,530
Capital Assets, Net	$ 154,487	$ 155,573

The College has $0.7 million in construction contract commitments at June 30, 2009. The contract commitments are for projects that include the re-roofing of four College buildings and the Information Technology Server Room. State appropriations together with local funds are expected to finance the construction, renovation, and purchase of land and facilities. More information about the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had $20 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30: College
(In Thousands)

	2009	2008
SBE Capital Outlay Bonds	$ 4,095	$ 4,400
Loans Payable	15,965	16,615
Total	$ 20,060	$ 21,015

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2008-09 fiscal year, there were no bond sales and debt repayments totaled $955,000. The College had two bank loans outstanding at year end. There were no new loans obtained during the 2008-09 fiscal year and principal payments totaled $650,000. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Daytona State College's economic condition is closely tied to that of the State of Florida and unemployment activities. During 2008-09, the College experienced significant reductions in State appropriations, which were partially offset by continued enrollment and tuition growth. Early enrollment for 2009-10 continues double digit growth, driven by a rise in unemployment, new programs and offerings at the College, and the expansion of baccalaureate degree programs. The College administration has carefully planned and implemented numerous cost saving and revenue enhancement strategies, which have produced positive results and protected the College from financial exigency.

A proactive and aggressive approach to responding to the economic downturn has produced many positive and permanent changes in the College's delivery of education and service to the community.

Former operational contingencies have now become standards of operation and efficiency. A sincere, collegewide, team approach to solving problems affected or caused by the current economy has now been assimilated into all College activities and decision making thereof.

Daytona State College has successfully operated under a "Do More with Less" environment and has prospered in spite of it.

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 Dr. Rand Spiwak, Executive Vice President and Chief Financial Officer, Daytona State College, Post Office Box 2811, Daytona Beach, Florida 32120-2811.

BASIC FINANCIAL STATEMENTS

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

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 15,354,025	$ 258,835
Restricted Cash and Cash Equivalents	6,332,339	
Accounts Receivable, Net	2,162,672	346,213
Notes Receivable, Net	684,073	
Due from Other Governmental Agencies	6,718,205	
Due from College		1,555,218
Prepaid Expenses	476,824	
Deposits	7,544	
Other Assets		16,257
Total Current Assets	31,735,682	2,176,523
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	16,759,810	
Restricted Investments	96,123	17,694,735
Other Investments		12,858
Investment in Joint Venture	13,500,000	
Depreciable Capital Assets, Net	142,846,918	
Nondepreciable Capital Assets	11,640,389	
Asset Held for Resale	1,402,500	
Other Assets		9,950
Total Noncurrent Assets	186,245,740	17,717,543
TOTAL ASSETS	$ 217,981,422	$ 19,894,066
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 1,993,042	$ 29,260
Salary and Payroll Taxes Payable	1,250,595	
Retainage Payable	9,010	
Due to Other Governmental Agencies	294,412	
Due to Component Unit/College	5,042,890	29,750
Deferred Revenue	4,176,976	118,183
Estimated Insurance Claims Payable	680,000	
Deposits Held for Others	216,930	
Long-Term Liabilities - Current Portion:		
Bonds Payable	315,000	
Loans Payable	690,000	
Notes Payable		13,120
Special Termination Benefits Payable	72,090	
Compensated Absences Payable	754,566	
Total Current Liabilities	15,495,511	190,313

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

	College	Component Unit
LIABILITIES (continued)		
Noncurrent Liabilities:		
Bonds Payable	$ 3,780,000	$
Loans Payable	15,275,000	
Notes Payable		27,333
Special Termination Benefits Payable	957,767	
Compensated Absences Payable	9,605,401	15,067
Other Postemployment Benefits Payable	3,361,982	
Total Noncurrent Liabilities	32,980,150	42,400
TOTAL LIABILITIES	48,475,661	232,713
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	139,016,747	
Restricted:		
Nonexpendable:		
Endowment	17,211	4,237,795
Expendable:		
Grants and Loans	2,706,311	15,198,784
Scholarships	359,379	
Capital Projects	15,905,425	
Debt Service	96,123	
Unrestricted	11,404,565	224,774
Total Net Assets	169,505,761	19,661,353
TOTAL LIABILITIES AND NET ASSETS	$ 217,981,422	$ 19,894,066

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

DAYTONA 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 $13,300,518	$ 16,810,341	$
Federal Grants and Contracts	4,306,895	
State and Local Grants and Contracts	1,045,428	423,950
Nongovernmental Grants and Contracts	2,827,455	
Sales and Services of Educational Departments	121,453	
Auxiliary Enterprises	4,387,320	
Other Operating Revenues	2,012,762	4,130,636
Total Operating Revenues	31,511,654	4,554,586
EXPENSES		
Operating Expenses:		
Personnel Services	68,858,899	204,476
Scholarships and Waivers	11,670,213	91,364
Utilities and Communications	4,595,504	
Contractual Services	9,187,154	9,400
Other Services and Expenses	7,979,714	4,402,574
Materials and Supplies	6,269,519	44,570
Depreciation	6,605,580	
Total Operating Expenses	115,166,583	4,752,384
Operating Loss	(83,654,929)	(197,798)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	50,467,342	
Gifts and Grants	23,580,426	75,869
Investment Income	127,783	552,433
Net Unrealized and Realized Loss on Investments		(8,197,549)
Other Nonoperating Revenues (Expenses)	3,725	(11,184)
Interest on Capital Asset-Related Debt	(857,640)	
Net Nonoperating Revenues (Expenses)	73,321,636	(7,580,431)
Loss Before Other Revenues, Expenses, Gains, or Losses	(10,333,293)	(7,778,229)
Capital Appropriations	3,622,865	
Capital Grants, Contracts, Gifts, and Fees	2,380,136	
Total Other Revenues	6,003,001	
Decrease in Net Assets	(4,330,292)	(7,778,229)
Net Assets, Beginning of Year	173,836,053	27,439,582
Net Assets, End of Year	$ 169,505,761	$ 19,661,353

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

DAYTONA 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	$ 16,052,973
Grants and Contracts	8,539,709
Payments to Suppliers	(23,916,736)
Payments for Utilities and Communications	(4,595,504)
Payments to Employees	(52,986,858)
Payments for Employee Benefits	(13,745,184)
Payments for Scholarships	(11,670,213)
Net Loans Issued to Students	(14,087,507)
Collection of Loans to Students	13,526,825
Auxiliary Enterprises	4,350,855
Sales and Service of Educational Departments	163,692
Other Receipts	2,699,472
Net Cash Used by Operating Activities	(75,668,476)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	50,467,342
Gifts and Grants Received for Other Than Capital or Endowment Purposes	23,580,426
Other Nonoperating Receipts	4,202,161
Net Cash Provided by Noncapital Financing Activities	78,249,929
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	4,331,987
Capital Grants and Gifts	2,380,136
Purchases of Capital Assets	(5,787,065)
Principal Paid on Capital Debt	(955,000)
Interest Paid on Capital Debt	(857,640)
Net Cash Used by Capital and Related Financing Activities	(887,582)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	9,503
Investment Income	127,783
Net Cash Provided by Investing Activities	137,286
Net Increase in Cash and Cash Equivalents	1,831,157
Cash and Cash Equivalents, Beginning of Year	36,615,017
Cash and Cash Equivalents, End of Year	$ 38,446,174

DAYTONA 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	$ (83,654,929)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,605,580
Changes in Assets and Liabilities:	
Receivables, Net	63,271
Due From Other Governmental Agencies	199,880
Notes Receivable, Net	(560,682)
Prepaid Expenses	(175,245)
Other Assets	4,707
Accounts Payable	(1,053,655)
Salary and Payroll Taxes Payable	155,790
Due to Other Governmental Agencies	330
Deferred Revenue	770,924
Deposits Held for Others	4,633
Estimated Insurance Claims Payable	4,297
Compensated Absences Payable	364,257
Special Termination Benefits Payable	(53,544)
Other Postemployment Benefits Payable	1,655,910
NET CASH USED BY OPERATING ACTIVITIES	$ (75,668,476)

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

DAYTONA 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 Daytona State College, 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 Volusia and Flagler 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.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Daytona 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 calendar year ended December 31, 2008.

The Foundation is also a direct-support organization, as defined in Section 1004.70(6), 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.

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

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
- Other Required Supplementary Information

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 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 unit uses the 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.

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

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, unrealized and realized 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. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fees.

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, State Board of Administration (SBA) Fund Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which effective July 1, 2009, is known as Florida PRIME, and the State Treasury Special Purpose Investment Accounts (SPIA). 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.

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

At June 30, 2009, the College reported as cash equivalents at fair value $37,746,475 of moneys held in the 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 $1,054 of moneys held in the LGIP administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The 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.

Capital Assets. College capital assets consist of land; construction in progress; artwork; 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

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

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

2. COMPONENT UNIT RESTATEMENT OF NET ASSETS

Investment earnings on certain Board designated quasi endowments were previously recorded to an unrestricted fund by a policy that theorized that investment earnings would be used to pay for current year student scholarships and College program support. An examination of donor files indicated that the majority of donors intended the earnings to follow the gift intention. In addition, an examination of donor files indicated that in some cases State matching funds were permanently endowed rather than temporarily restricted per donor intention. The following shows net assets, as of December 31, 2007, restated to reflect donor intentions regarding investment earnings on the Board designated quasi endowments and State matching funds, and the restated amounts are comparable to the amounts shown on the statement of net assets at December 31, 2008.

Description	Balance 12-31-07	Additions	Reductions	Balance 12-31-07 Restated
Restricted:				
Expendable	$ 19,919,858	$ 3,304,979	$	$ 23,224,837
Nonexpendable	4,165,164		13,236	4,151,928
Unrestricted	3,354,560		3,291,743	62,817
Total Net Assets	$ 27,439,582	$ 3,304,979	$ 3,304,979	$ 27,439,582

3. 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

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

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

State Board of Administration Debt Service Accounts

The College reported restricted investments at fair value totaling $96,123 at June 30, 2009, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the College. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Unit Investments

Investments in mutual funds, equity securities, money market funds, and other deposits held by Daytona State College Foundation, Inc. (Foundation), at December 31, 2008, are reported at fair value as follows:

Investment Type	Average Maturity	Credit Quality (1)	Fair Value
Common Fund Multi-Strategy Bond Fund	3.8 years	AA	$ 2,671,708
Common Fund Multi-Strategy Equity Fund	(2)	(2)	6,601,078
Berstein Intermediate Duration Portfolio	4.59 years	AA+	1,325,425
Berstein Equity Securities	(2)	(2)	3,691,883
Berstein International Portfolio	(2)	(2)	690,286
Ameriprise	(2)	(2)	42,213
Equity Interest in Real Property	(2)	(2)	2,685,000
Total Investments of Component Unit			$ 17,707,593

Notes: (1) Represents average of credit qualities for those investments within the fund or portfolio that were assigned a credit quality rating. The credit quality ratings were obtained from various agencies, including Standard & Poor's, Moody Investment Services, and Fitch Ratings.

(2) Disclosure of maturity and credit quality is not required for these investment types.

The Foundation's investment policy allows for investment allocation of 55 to 75 percent in equities, 25 to 35 percent in fixed-income securities, and up to 10 percent in cash. The Foundation's investment policies do not place specific limits on maturities or credit quality.

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

4. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a $1,052,238 allowance for uncollectible accounts.

5. NOTES RECEIVABLE

Notes receivable represent student loans made under the College Falcon Loan Program. Notes receivable are reported net of a $13,829 allowance for uncollectible notes.

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of $5,112,681 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

7. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The $5,042,890 reported as due to component unit consists of amounts owed by the College to the Foundation for amounts held in the agency account and invested. The College's financial statements are reported for the fiscal year ended June 30, 2009. The College's component unit's financial statements are reported for the fiscal year ended December 31, 2008. Accordingly, amounts reported by the College as due from and to the component unit on the statement of net assets do not agree with amounts reported by the component unit as due from and to the College.

8. CAPITAL ASSETS

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

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

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 11,051,778	$	$ 356,043	$	$ 11,407,821
Construction in Progress	5,692,189		4,141,801	9,647,022	186,968
Artwork			45,600		45,600
Total Nondepreciable Capital Assets	$ 16,743,967	$	$ 4,543,444	$ 9,647,022	$ 11,640,389
Depreciable Capital Assets:					
Buildings	$ 168,169,213	$	$ 5,918,196	$	$ 174,087,409
Other Structures and Improvements	14,866,001	9,390,024	3,424,324		27,680,349
Furniture, Machinery, and Equipment	28,324,308	(9,390,024)	1,280,635	788,162	19,426,757
Total Depreciable Capital Assets	211,359,522		10,623,155	788,162	221,194,515
Less, Accumulated Depreciation:					
Buildings	39,063,109		4,073,593		43,136,702
Other Structures and Improvements	14,423,776	3,224,047	362,150		18,009,973
Furniture, Machinery, and Equipment	19,043,294	(3,224,047)	2,169,837	788,162	17,200,922
Total Accumulated Depreciation	72,530,179		6,605,580	788,162	78,347,597
Total Depreciable Capital Assets, Net	$ 138,829,343	$	$ 4,017,575	$	$ 142,846,918

Note: (1) Adjustments were made to reclassify assets and related accumulated depreciation from furniture, fixtures and machinery to other structures and improvements as determined by College review of subsidiary ledgers.

9. DEFERRED REVENUE

Deferred revenue includes 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; health insurance premiums collected from employees prior to the insurance coverage period; student tuition and fees received prior to fiscal year-end related to subsequent accounting periods; and, a donated asset held for resale. As of June 30, 2009, the College reported the following amounts as deferred revenue:

Description	Amount
Capital Appropriations	$ 1,832,492
Auxiliary (Insurance Premiums)	775,770
Student Tuition and Fees	166,214
Asset Held for Resale	1,402,500
Total Deferred Revenue	$ 4,176,976

10. LONG-TERM LIABILITIES

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

DAYTONA 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	Current Portion
Bonds Payable	$ 4,400,000	$	$ 305,000	$ 4,095,000	$ 315,000
Loans Payable	16,615,000		650,000	15,965,000	690,000
Special Termination Benefits Payable	1,083,401	142,604	196,148	1,029,857	72,090
Compensated Absences Payable	9,995,710	1,156,823	792,566	10,359,967	754,566
Other Postemployment Benefits Payable	1,706,072	1,888,909	232,999	3,361,982	
Total Long-Term Liabilities	$33,800,183	$3,188,336	$2,176,713	$34,811,806	$1,831,656

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 1999A	$ 2,575,000	4.375 - 4.750	2019
Series 2001A	280,000	4.25 - 5.00	2021
Series 2002B	1,240,000	4.000 - 5.375	2015
Total	$ 4,095,000		

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

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2010	$ 315,000	$ 198,019	$ 513,019
2011	330,000	182,269	512,269
2012	355,000	165,569	520,569
2013	375,000	150,769	525,769
2014	390,000	131,550	521,550
2015-2019	2,290,000	348,781	2,638,781
2020-2021	40,000	3,000	43,000
Total	$ 4,095,000	$ 1,179,957	$ 5,274,957

Loans Payable. Pursuant to Section 1001.64(38), Florida Statutes, the College obtained two loans to finance the cost of the acquisition and construction of various capital projects and equipment, including but

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

not limited to, construction of the Hospitality Center, a physical plant, shipping and receiving building, additional parking, and the demolition of a building. The College borrowed $10 million on December 23, 2005, at a stated interest rate of 3.96 percent, and $8 million on January 10, 2006, at a stated interest rate of 4.03 percent. Both loans mature on January 1, 2026, and principal and interest payments are made at the beginning of each quarter.

Annual requirements to amortize the outstanding notes as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 690,000	$ 627,156	$ 1,317,156
2011	715,000	599,270	1,314,270
2012	740,000	570,236	1,310,236
2013	775,000	540,303	1,315,303
2014	795,000	508,873	1,303,873
2015-2019	4,530,000	2,031,002	6,561,002
2020-2024	5,520,000	1,036,659	6,556,659
2025-2026	2,200,000	88,806	2,288,806
Total	$ 15,965,000	$ 6,002,305	$ 21,967,305

Special Termination Benefits Payable. Beginning July 1, 2000, the Board of Trustees established a severance pay plan that is available to certain College administrative employees. As of June 30, 2009, a total of 13 employees had accrued benefits in the severance pay plan. The plan provides that an eligible employee’s total benefit must not exceed an amount equal to twice the employee’s annualized base pay determined as of the date of the employee’s separation from service. The severance pay plan benefit is not available to an eligible employee until the date of separation from the College, and must be paid in one lump-sum payment within 60 days of the separation date. All benefits under the plan must be paid from assets of the College, which assets must remain subject to the claims of general creditors of the College until such time as the benefits are paid to eligible employees. The College believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future. At June 30, 2009, a liability for accrued plan benefits of $1,029,857 was reported by the College as Special Termination Benefits Payable.

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

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

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 $10,359,967. The College's estimate of the current portion of the compensated absences liability is based on historical leave payment data.

Other Postemployment Benefits Payable. The College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare and life insurance benefits administered by the College.

Plan Description. The Postemployment Healthcare Benefits Plan is a single-employer defined-benefit plan administered by the College. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's self-insured health and hospitalization plan for medical, prescription drug, dental, vision 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 for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The College does not issue a stand-alone report and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits may be amended by the Board of Trustees. Contribution requirements of the College and Plan members are established and may be amended by actions of 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, 75 retirees received postemployment healthcare benefits and 148 retirees received postemployment life insurance benefits. The College provided required contributions of $232,999 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $299,761.

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

DAYTONA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
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parameters of Governmental Accounting Standards 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:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 1,425,350
Amortization of Unfunded Actuarial Accrued Liability	469,246
Annual Required Contribution	1,894,596
Interest on Net OPEB Obligation	51,182
Adjustment to Annual Required Contribution	(56,869)
Annual OPEB Cost (Expense)	1,888,909
Contribution Toward the OPEB Cost	(232,999)
Increase in Net OPEB Obligation	1,655,910
Net OPEB Obligation, Beginning of Year	1,706,072
Net OPEB Obligation, End of Year	$ 3,361,982

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 transition and preceding 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	1,894,596	10.0%	1,706,072
2008-09	1,888,909	12.3%	3,361,982

Funded Status and Funding Progress. As of June 30, 2009, the actuarial accrued liability for benefits was $14,077,390, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $14,077,390 and funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $46,552,778 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 30.2 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

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revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 as of July 1, 2007, used the projected unit credit 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 9 percent for the 2007-08 fiscal year, reduced by 1 percent per year for two years, then 0.5 percent per year thereafter, to an ultimate rate of 5 percent after six years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 28 years.

11. 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).

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Employees in the Plan vest at 6 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.

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, including employee contributions, for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled $3,137,047, $3,386,021, and $3,511,345, 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.

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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 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 172 College participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled $653,889.

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 104 College participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled $688,799.

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12. CONSTRUCTION COMMITMENTS

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Building 100 Roof:			
Architect	$ 19,300	$ 10,045	$ 9,255
General Contractor	177,117		177,117
Building 200, 210, 520 Roof:			
Architect	43,000	14,258	28,742
General Contractor	216,110		216,110
Building 300 IT Server Room:			
Architect	51,851	40,942	10,909
General Contractor	289,534		289,534
Total	$ 796,912	$ 65,245	$ 731,667

13. JOINT VENTURE

A joint venture is a legal entity or other organization that results from a contractual agreement, and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain: (a) an ongoing financial interest or (b) an ongoing financial responsibility. As discussed below, the College participates in a joint venture.

The College entered into an agreement with the Flagler and Volusia County District School Boards, pursuant to Section 163.01, Florida Statutes, and Chapter 98-302, Laws of Florida, to construct and operate a charter technical career center. The charter technical career center's corporate name is the Volusia Flagler Advanced Technology Center, Inc., and it does business as the Advanced Technology College (ATC). The ATC is a separate legal entity, and is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, and Section 1002.34, Florida Statutes. Because the sponsoring governments (sponsors) have an on-going financial interest and financial responsibility, the ATC is considered a joint venture. The ATC Board of Directors, which oversees the ATC's operations, has eleven members: one member is the chief executive officer from a sponsor, and is appointed on a rotating basis from each sponsor to a one year term; six members are appointed by the sponsors (two members are appointed by each sponsor); and four members are elected by the seven appointed board members. The current agreement is effective through June 30, 2011. See additional information in note 21.

The College's capital contribution was $13.5 million as provided in the agreement and is reported as an investment in joint venture. The agreement provides a vested interest for each sponsor for the purposes of

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recouping investments, allocating assets, and assuming liabilities upon termination of the agreement. In the event of termination of the agreement, the capital assets purchased by the ATC will be appraised and sold. The profits will revert to the sponsors based on their proportionate equity in the ATC as defined by the agreement. As of June 30, 2009, the College's proportionate share of profits to be distributed in the event of termination of the agreement was 29.4 percent.

The total cost to construct the ATC facility was $25.5 million and was financed through capital contributions from each sponsor as provided in the agreement. However, Volusia County District School Board holds title to, and is considered the owner of the facility and the site on which the facility is located. Pursuant to the agreement, Volusia County District School Board must lease the facility to the College for a period of 40 years.

The agreement requires participants to make a pro-rata contribution for annual operating costs. Additionally, should enrollment at the ATC exceed expectations, sponsors must make additional pro-rata contributions as required by the agreement. The agreement provides that these commitments are exclusive of the College's obligation to pay occupancy costs of the facility. Annual required contributions by each sponsor are adjusted annually to cover the estimated annual operating costs of the ATC. The College's pro-rata contributions for operating costs were $3,701,366 for the 2008-09 fiscal year.

The ATC is accounted for as a proprietary joint venture. A summary of financial information for the fiscal year ended June 30, 2009, the most recent year for which audited information is available, is shown below:

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Condensed Statement of Net Assets

Assets:	
Current Assets	$ 462,334
Noncurrent Assets	437,432
Total Assets	899,766
Liabilities:	
Current Liabilities	462,334
Noncurrent Liabilities	437,432
Total Liabilities	899,766
Net Assets:	
Restricted	
Total Net Assets	$

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

Total Revenues	$ 5,812,671
Total Expenses	5,813,530
Decrease in Net Assets	(859)
Net Assets, Beginning of the Year	859
Net Assets, End of Year	$

14. JOINT PARTICIPATION AGREEMENT

Daytona State College entered into a joint participation agreement with Brevard Community College to provide for the transition of both Colleges to digital transmission capabilities for their respective public television stations. The Colleges agreed to submit a joint application for Federal funds that will be combined with funding from other sources to finance the project.

The joint participation agreement provides for conversion of master control facilities for each College, the installation of a joint-use digital antenna, and jointly leased tower space. The Colleges will equally share the lease payments and other obligations contained in the tower lease agreement. Also, the Colleges agreed to equally share the costs of maintenance and repair of the equipment and facilities and common expenses relating to the joint-use of the lease tower, the digital antenna, the transmission lines, and other common equipment. In addition, the Colleges agreed to share any such engineering fees or consulting fees as may be necessary for the common benefit of the Colleges.

Daytona State College has been designated as the fiscal agent and, in accordance with the agreement, will act for the benefit of both Colleges. Daytona State College will serve as the owner of record of the digital

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antenna, transmission lines, and associated equipment acquired with various Federal and State grants. However, the Federal government retains a ten-year lien on equipment purchased with Federal funds that commences from the date of completion of the project.

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 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.

Self-Insured Program. The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College's liability was limited by excess reinsurance to $125,000 per insured person with a $56,000 aggregating specific deductible for the 2008-09 fiscal year. The plan is provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributes employee premiums as a fringe benefit. Employee dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The liability includes an amount for claims that have been incurred, but not reported, and an amount for claims administration expense. Because the actual claims liability depends on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. The College reevaluates the claims liability periodically and the claims liability totaled $680,000 as of June 30, 2009. Amounts held by the College in excess of the estimated insurance claims liability at June 30, 2009, totaled $2,211,940. The College will use these amounts to pay claims incurred in future fiscal years.

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The following schedule represents the changes in claims liability for the past two fiscal years for the College's self-insured program:

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
2007-08	$ 710,000	$ 5,528,239	$ (5,562,536)	$ 675,703
2008-09	$ 675,703	$ 6,204,923	$ (6,200,626)	$ 680,000

16. LITIGATION

The College is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the College's legal counsel and management, should not materially affect the College's financial position.

17. 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 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.

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

Source	Amount
College Program Fund	$ 44,672,407
Education Enhancement Trust Fund (Lottery)	5,794,935
Gross Receipts Tax (Public Education Capital Outlay)	3,059,570
Bright Futures Scholarship Program	3,042,752
Florida Student Assistance Grants	2,611,607
Motor Vehicle License Tax (Capital Outlay and Debt Service)	563,295
Restricted Contracts and Grants	556,879
Other State Sources	73,884
Total	$ 60,375,329

18. 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:

Functional Classification	Amount
Instruction	$ 38,154,580
Public Services	2,661,239
Academic Support	7,905,846
Student Services	10,784,579
Institutional Support	13,907,568
Operation and Maintenance of Plant	10,102,768
Scholarships and Fellowships	23,940,127
Depreciation	6,605,580
Auxiliary Enterprises	1,104,296
Total Operating Expenses	$ 115,166,583

19. RELATED PARTY TRANSACTIONS

On July 24, 2007, the College purchased 22 condominium units for $2,685,000, using funds provided by the Daytona State College Foundation, Inc. (Foundation). The condominiums were purchased to become dormitories for the College's student athletes. As part of this purchase, the College and Foundation

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executed a "Real Property Investment Agreement" disclosing that the Foundation was funding the purchase of real property as an investment. The agreement further provided the "College agrees that the Foundation's return on its investment (in the form of rental income received from College student athletes, via the College) shall be at a minimum of a five (5) percent, rate of return per year on the investment, or the greater of the annual rate of return on the Commonfund - Multi-Strategy Bond fund, one-year rate, to a maximum of 7% per year." Per the agreement, the property is deeded in the College's name, while the Foundation retains a 100 percent equity interest in the real property. In the event that any of the units are sold, all sale proceeds are to be paid to the Foundation. If sales do not cover the Foundation's initial investment, the College will attempt to raise funds to match any investment shortfall.

The two parties also entered into a lease agreement, whereby the College leased to the Foundation the condominiums for one year, renewable annually for a total of 20 years. The purpose of the lease was to provide the Foundation with fiscal governance of its investment in the real property in the para materia with the Real Property Investment Agreement. The lease provided for an initial lease payment of $197,057 to the Foundation, and the maintenance, repairs, and operating expenses were to be paid by the Foundation from the rental payments. Major renovations, such as re-roofing; HVAC replacement; replacement of furniture and appliances; and renovations or remodeling to the units are the responsibility of the Foundation. The Foundation funds a replacement and repair reserve account in the amount of $30,000 per year. The College has control of the account, and may withdraw such funds as may be necessary to pay for any major renovation, replacements, or repairs. Upon expiration of the lease and all renewals, any funds remaining in this account will be remitted to the College. In its December 31, 2008, audited financial statements, the Foundation reported $2,685,000 as restricted investments on its Statement of Net Assets. The College does not report the condominiums as assets.

20. CURRENT UNRESTRICTED FUNDS

The Southern Association of Colleges and Schools, Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets. To meet this requirement, statements of net assets and revenues, expenses, and changes in net assets for the current unrestricted funds are presented, as follows:

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Statement of Current Unrestricted Funds Net Assets

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 15,354,025
Accounts Receivable, Net	1,096,096
Due from Other Governmental Agencies	128,448
Prepaid Expenses	381,489
Deposits	4,495
Total Current Assets	16,964,553
Noncurrent Assets:	
Investment in Joint Venture	13,500,000
Total Noncurrent Assets	13,500,000
TOTAL ASSETS	$ 30,464,553
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 1,699,114
Salary and Payroll Taxes Payable	990,698
Estimated Insurance Claims Payable	680,000
Deferred Revenue	938,370
Special Termination Benefits Payable	72,090
Compensated Absences Payable	754,566
Total Current Liabilities	5,134,838
Noncurrent Liabilities:	
Special Termination Benefits Payable	957,767
Compensated Absences Payable	9,605,401
Other Postemployment Benefits Payable	3,361,982
Total Noncurrent Liabilities	13,925,150
TOTAL LIABILITIES	19,059,988
TOTAL NET ASSETS	11,404,565
TOTAL LIABILITIES AND NET ASSETS	$ 30,464,553

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Statement of Current Unrestricted Funds Revenues, Expenses, and Changes in Net Assets

REVENUES	
Operating Revenues:	
Student Tuition and Fees, Net of Scholarship Allowances of $13,300,518	$ 12,652,137
Federal Grants and Contracts	185,517
State and Local Grants and Contracts	340,566
Nongovernmental Grants and Contracts	747,618
Auxiliary Enterprises	4,387,320
Other Operating Revenues	1,643,338
Total Operating Revenues	19,956,496
EXPENSES	
Operating Expenses:	
Personnel Services	57,850,404
Scholarships and Waivers	135,358
Utilities and Communications	2,180,247
Contractual Services	3,462,935
Other Services and Expenses	5,350,105
Materials and Supplies	1,560,435
Total Operating Expenses	70,539,484
Operating Loss	(50,582,988)
NONOPERATING REVENUES	
State Appropriations	48,648,377
Investment Income	374,040
Net Nonoperating Revenues	49,022,417
Loss Before Other Revenues, Expenses, Gains, or Losses	(1,560,571)
Capital Appropriations	8,546
Capital Grants, Contracts, Gifts, and Fees	289,100
Transfers to/from Other Funds	(1,163,565)
Decrease in Net Assets	(2,426,490)
Net Assets, Beginning of Year	13,831,055
Net Assets, End of Year	$ 11,404,565

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21. SUBSEQUENT EVENTS

During the September 17, 2009, Board meeting, it was announced that the school Boards of Flagler County and Volusia County informed the College that, due to budgetary constraints, they would not be contributing funds for the operation of the Advanced Technology College for the 2009-10 fiscal year, operated as a joint venture by the three entities as described in note 13. As a result, the College discontinued all secondary level instructional, academic support, and student services, and replaced these secondary educational activities with traditional dual enrollment instructional programs and increased college transfer academic programs. The termination of funding from the two partner districts will be offset by the reduced costs of the terminated secondary education programs and services.

DAYTONA STATE COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	$ -	$ 14,077,390	$ 14,077,390	0%	$ 44,538,067	31.6%

AUDITOR GENERAL

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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 Daytona 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.

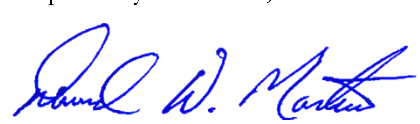
Compliance and Other Matters

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 a certain operational matter that we reported to College management in our report No. 2010-001.

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 25, 2010