

# EDISON STATE COLLEGE

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2010



## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2009-10 fiscal year are listed below:

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Dr. David M. Klein, Vice Chair from 6-22-10	Charlotte
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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 James A. Grattan, CPA, and the audit was supervised by Deirdre F. Waigand, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto: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](http://www.myflorida.com/audgen); by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

EDISON STATE COLLEGE  
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY.....	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets .....	12
Statement of Revenues, Expenses, and Changes in Net Assets.....	14
Statement of Cash Flows.....	15
Notes to Financial Statements .....	17
<b>OTHER REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress – Other Postemployment Benefit Plan .....	40
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>.....</b>	
Internal Control Over Financial Reporting.....	41
Compliance and Other Matters .....	42

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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

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

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

### Audit Objectives and Scope

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

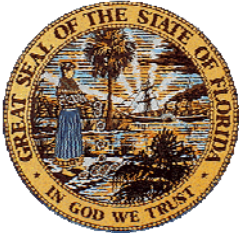
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2010. 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, in both 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.

### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street  
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The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Edison State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2010, which collectively comprise the College's basic financial statements as shown on pages 12 through 39. These financial statements are the responsibility of College 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, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Edison State College and of its discretely presented component unit as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 11 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 40 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,



David W. Martin, CPA  
January 14, 2011

## 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, 2010, 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 \$171.8 million at June 30, 2010. This balance reflects a \$22.6 million, or 15.2 percent, increase from the 2008-09 fiscal year, primarily due to \$14.2 million in restricted cash and cash equivalents deposited in the State Treasury as required by the State for proceeds from bonds issued for capital projects. Liabilities totaled \$26.4 million at June 30, 2010, which reflects an increase of \$15.3 million, or 138.4 percent, from the prior fiscal year primarily due to the issuance of new bond debt. As a result, the College's net assets increased by \$7.3 million, reaching a year-end balance of \$145.3 million.

The College's operating revenues totaled \$24.7 million for the 2009-10 fiscal year, representing a 0.6 percent decrease from the 2008-09 fiscal year due mainly to a decrease in nongovernmental grants and contracts. Operating expenses totaled \$77.8 million for the 2009-10 fiscal year, representing an increase of 18.5 percent over the 2008-09 fiscal year primarily due to an increase in personnel costs and scholarships and waivers.

### OVERVIEW OF FINANCIAL STATEMENTS

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

- Edison State College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Edison State College Foundation, Inc. (Discretely Presented Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida. The Foundation's fiscal year is from April 1<sup>st</sup> through March 31<sup>st</sup>. As a result, the Foundation's financial activities presented in the MD&A and accompanying financial statements are for the fiscal years ended March 31, 2010, and 2009, respectively.
- Edison State College Financing Corporation (Blended Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida. Based on the application of the criteria for determining component units, the Financing Corporation is included within the College's reporting entity as a blended component unit. The Financing Corporation's fiscal year is from April 1<sup>st</sup> through March 31<sup>st</sup>. As a result, the Financing Corporation's financial activities are included in the MD&A and accompanying financial statements are for the fiscal years ended March 31, 2010, and 2009, respectively.

### THE STATEMENT OF NET ASSETS AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

One of the most important questions asked about the College's finances is, "Is Edison State College, as a whole, better off or worse off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a way that

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

These two statements report Edison State College's net assets and changes in them. You can think of the College's net assets, the difference between assets and liabilities, as one way to measure the College's financial health or financial position. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider many other nonfinancial factors, such as certain trends, student retention, condition of buildings, and the safety of the campus, to assess the College's overall financial health.

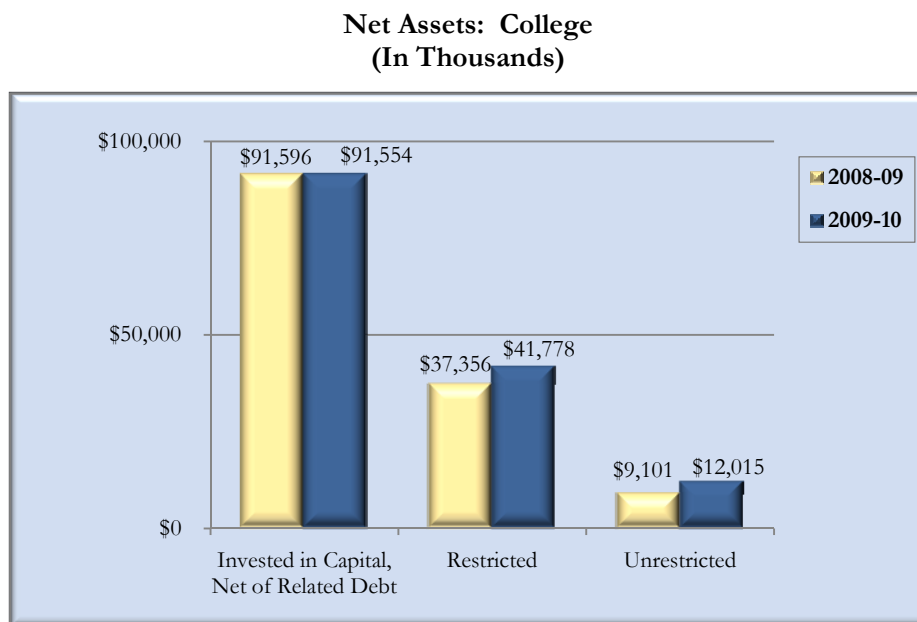
These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid.

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

**Condensed Statement of Net Assets at  
(In Thousands)**

	College		Component Unit	
	6-30-10	6-30-09	3-31-10	3-31-09
<b>Assets</b>				
Current Assets	\$ 46,733	\$ 47,167	\$ 1,527	\$ 1,272
Capital Assets, Net	109,889	94,176	49	
Other Noncurrent Assets	15,141	7,792	44,339	39,685
<b>Total Assets</b>	<u>171,763</u>	<u>149,135</u>	<u>45,915</u>	<u>40,957</u>
<b>Liabilities</b>				
Current Liabilities	3,482	4,246	5,087	5,158
Noncurrent Liabilities	22,934	6,836	38	
<b>Total Liabilities</b>	<u>26,416</u>	<u>11,082</u>	<u>5,125</u>	<u>5,158</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	91,554	91,596	(1)	
Restricted	41,778	37,356	36,160	31,657
Unrestricted	12,015	9,101	4,631	4,142
<b>Total Net Assets</b>	<u>\$ 145,347</u>	<u>\$ 138,053</u>	<u>\$ 40,790</u>	<u>\$ 35,799</u>
<b>Increase in Net Assets</b>	<u>\$ 7,294</u> 5.3%		<u>\$ 4,991</u> 13.9%	

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



Revenues and expenses of the College and its discretely presented component unit for the respective fiscal years ended are shown in the following table:

**Condensed Statement of Revenues, Expenses, and  
Changes in Net Assets for the Fiscal Years Ended  
(In Thousands)**

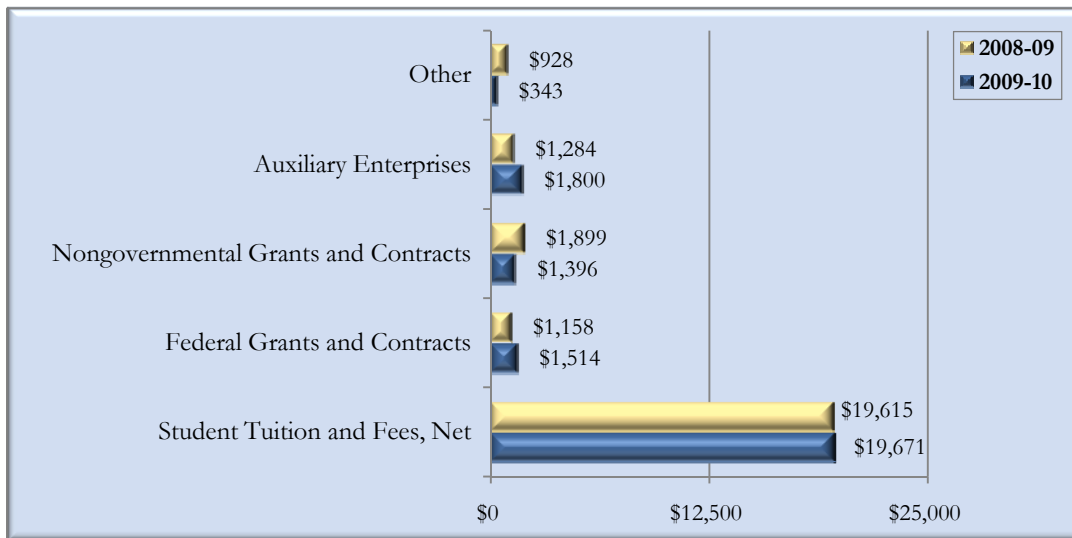
	College		Component Unit	
	6-30-10	6-30-09	3-31-10	3-31-09
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 19,671	\$ 19,615	\$	\$
Federal Grants and Contracts	1,514	1,158		
Nongovernmental Grants and Contracts	1,396	1,899	1,548	5,397
Auxiliary Enterprises	1,800	1,284		
Other Operating Revenues	343	928	27	1,597
<b>Total Operating Revenues</b>	<b>24,724</b>	<b>24,884</b>	<b>1,575</b>	<b>6,994</b>
Less, Operating Expenses	77,790	65,660	5,155	5,948
<b>Operating Income (Loss)</b>	<b>(53,066)</b>	<b>(40,776)</b>	<b>(3,580)</b>	<b>1,046</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	22,602	24,130		
Other Nonoperating Revenues	31,882	15,904	8,708	1,415
Nonoperating Expenses	(122)	(95)	(203)	(12,048)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>54,362</b>	<b>39,939</b>	<b>8,505</b>	<b>(10,633)</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
Capital Appropriations	1,296	(837)	4,925	(9,587)
Capital Grants, Contracts, Gifts, and Fees	5,998	23,218		
Increases to Permanent Endowments		2,049		516
			66	200
<b>Increase (Decrease) in Net Assets</b>	<b>7,294</b>	<b>24,430</b>	<b>4,991</b>	<b>(8,871)</b>
Net Assets, Beginning of Year	138,053	113,623	35,799	44,670
<b>Net Assets, End of Year</b>	<b>\$ 145,347</b>	<b>\$ 138,053</b>	<b>\$ 40,790</b>	<b>\$ 35,799</b>

**Operating Revenues**

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

The following chart presents the College’s operating revenues for the 2009-10 and 2008-09 fiscal years:

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



When compared to the prior fiscal year, the College’s operating revenues decreased by approximately \$0.2 million, or 0.6 percent, due primarily to a decrease in the amount of nongovernmental grants and contracts.

**Operating Expenses**

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

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

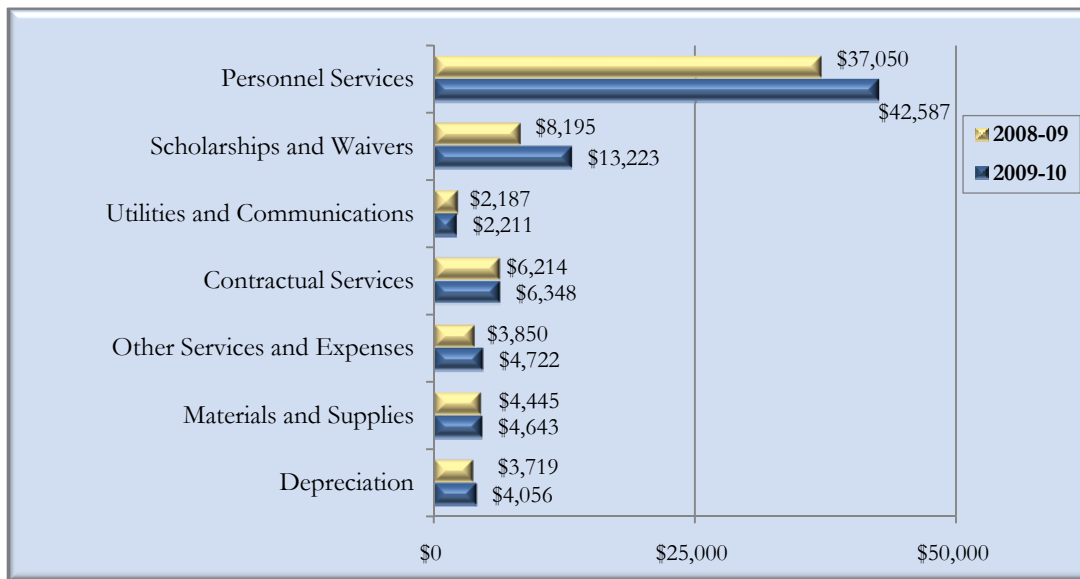
**Operating Expenses for the Fiscal Years Ended  
(In Thousands)**

	College		Component Unit	
	6-30-10	6-30-09	3-31-10	3-31-09
<b>Operating Expenses</b>				
Personnel Services	\$ 42,587	\$ 37,050	\$	\$
Scholarships and Waivers	13,223	8,195	4,123	3,202
Utilities and Communications	2,211	2,187		
Contractual Services	6,348	6,214	319	2,063
Other Services and Expenses	4,722	3,850	702	683
Materials and Supplies	4,643	4,445		
Depreciation	4,056	3,719	11	
<b>Total Operating Expenses</b>	<b>\$ 77,790</b>	<b>\$ 65,660</b>	<b>\$ 5,155</b>	<b>\$ 5,948</b>

Operating expense changes were primarily the result of an increase in personnel costs due to new faculty and adjunct positions to support a full-time equivalent enrollment growth of 23.3 percent from the prior fiscal year. Scholarships and waivers increased due to the increase in student enrollment. Contractual services increased due to more services, such as security, being performed in-house.

The following chart presents the College’s expenses for the 2009-10 and 2008-09 fiscal years:

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



**Nonoperating Revenues and Expenses**

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College’s nonoperating revenues and expenses for the 2009-10 and 2008-09 fiscal years:

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

	<u>2009-10</u>	<u>2008-09</u>
State Appropriations	\$ 22,602	\$ 24,130
Gifts and Grants	28,518	12,948
Investment Income	219	403
Other Nonoperating Revenue	3,145	2,553
Other Nonoperating Expenses	<u>(122)</u>	<u>(95)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$ 54,362</u></b>	<b><u>\$ 39,939</u></b>

Changes in nonoperating revenues were primarily due to a 105.5 percent increase in gifts and grants related to greater student need. The student need was met by an increase in the Federal Pell Grant Program, which amounted to \$22.6 million for fiscal year 2009-10, an increase of 133 percent, or \$12.9 million, from the prior fiscal year, and State appropriated American Recovery and Reinvestment Act funding of \$1.9 million.

**Other Revenues, Expenses, Gains, or Losses**

This category is mainly comprised of capital appropriations. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2009-10 and 2008-09 fiscal years:

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

	<u>2009-10</u>	<u>2008-09</u>
Capital Appropriations	\$ 5,998	\$ 23,218
Capital Grants, Contracts, Gifts, and Fees		<u>2,049</u>
<b>Total</b>	<b><u>\$ 5,998</u></b>	<b><u>\$ 25,267</u></b>

The approximately \$17.2 million decrease in capital appropriations is due to a significant decrease in Public Education Capital Outlay funding for new construction since large projects such as the nursing building were funded in the prior 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 the following:

- 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 2009-10 and 2008-09 fiscal years is presented in the following table:

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

	2009-10	2008-09
Cash Provided (Used) by:		
Operating Activities	\$ (49,475)	\$ (36,896)
Noncapital Financing Activities	53,148	39,635
Capital and Related Financing Activities	17,380	4,112
Investing Activities	(11,164)	(9,579)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	9,889	(2,728)
Cash and Cash Equivalents, Beginning of Year	18,260	20,988
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 28,149</b>	<b>\$ 18,260</b>

The College’s cash inflows from operating activities were primarily provided by tuition and fees (\$18.7 million). Cash outlays from operating activities were primarily for payments for employee wages and benefits of \$42.1 million, payments to suppliers for goods and services of \$15.9 million, and payments for scholarships of \$13.2 million.

State appropriations and gifts and grants are the source of noncapital financing inflows. Noncapital financing activities are considered nonexchange transactions in accordance with GASB Statement No. 35. Cash provided by noncapital financing activities increased \$13.5 million from the prior fiscal year. The cash flows from gifts and grants are primarily due to an increase in the Federal Pell Grant Program. The primary cash inflows for capital and related financing activities included payments received under the Public Education Capital Outlay appropriation, proceeds from the issuance of bond debt, and receipt of capital related grants and gifts.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2010, the College had \$163.8 million invested in capital assets, less accumulated depreciation of \$53.9 million, for net capital assets of \$109.9 million. Depreciation charges for the current fiscal year totaled \$4.1 million. The following table summarizes the College’s capital assets for the 2009-10 fiscal year.

**Capital Assets  
(In Thousands)**

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 3,080	\$ 411	\$	\$ 3,491
Art Collections	292			292
Buildings	109,187	11,258		120,445
Other Structures and Improvements	12,319	7		12,326
Furniture, Machinery, and Equipment	5,596	1,346	314	6,628
Construction in Progress	13,911	16,705	9,962	20,654
<b>Total</b>	<b>144,385</b>	<b>29,727</b>	<b>10,276</b>	<b>163,836</b>
Less, Accumulated Depreciation:				
Buildings	38,812	2,763		41,575
Other Structures and Improvements	7,353	623		7,976
Furniture, Machinery, and Equipment	4,044	666	314	4,396
<b>Total Accumulated Depreciation</b>	<b>50,209</b>	<b>4,052</b>	<b>314</b>	<b>53,947</b>
<b>Capital Assets, Net</b>	<b>\$ 94,176</b>	<b>\$ 25,675</b>	<b>\$ 9,962</b>	<b>\$ 109,889</b>

Major capital projects completed during the 2009-10 fiscal year included the completion of the Rush Library remodel and roof replacement for \$7.3 million, remodel work at the new Labelle Campus for \$0.5 million, remodel work in Buildings H, L, and Q on the Lee Campus totaling \$0.9 million, and other district-wide remodeling and renovation projects. During the 2009-10 fiscal year, the College also acquired the Northern Trust Building for \$1.7 million of which \$0.4 million corresponded to the cost of land.

#### **DEBT ADMINISTRATION**

At fiscal year-end, the College had \$18.3 million in long-term debt outstanding, which represents an increase of \$15.7 million from the prior fiscal year. This increase was primarily the result of the issuance of new debt for \$15.9 million of State of Florida Department of Education Capital Improvement Revenue Bonds issued on behalf of the College. These bonds mature serially and are secured by the College's capital improvement fees. The College also holds State Board of Education (SBE) Capital Outlay Bonds issued on behalf of the College. These bonds mature serially and are secured by the College's portion of the State assessed motor vehicle license tax. Proceeds from these bonds are to be used to construct and renovate College facilities. More detailed information about the College's long-term liabilities is presented in the notes to financial statements.

#### **ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

Edison State College's economic condition is closely tied to that of the State of Florida and the southwest Florida region. Due to the current economic downturn, the State has had to decrease the amounts appropriated for colleges. State appropriations comprised approximately 40 percent of total unrestricted general revenue compared with 60 percent in the prior fiscal year. Public education, by all indications, will continue to be a priority for Federal student aid funding. For the next year, the State will again have to rely on funds appropriated through the American Recovery and Reinvestment Act to properly fund the Florida College System. The State will grant the moneys to the Colleges as the part of the State Fiscal Stabilization Fund that will expire at the end of the 2010-11 fiscal year. Although the College maintains a healthy unrestricted net assets, it has had to reserve funds to meet its long-term needs as the Federal stimulus funding will cease after the 2010-11 fiscal year. These factors indicate that current operations will be adequately funded for the future.

**REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A or other required supplementary information and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President of Financial Services, Edison State College, 8099 College Parkway, Fort Myers, Florida 33919.

## BASIC FINANCIAL STATEMENTS

### EDISON STATE COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS June 30, 2010

	College	Component Unit
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,180,605	\$ 395,169
Restricted Cash and Cash Equivalents	17,701,475	
Investments	6,643,363	
Restricted Investments	8,693,999	
Accounts Receivable, Net	3,130,099	569,741
Notes Receivable, Net	179,034	562,500
Due from Other Governmental Agencies	7,583,073	
Prepaid Expenses	621,072	
<b>Total Current Assets</b>	<b>46,732,720</b>	<b>1,527,410</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	8,267,165	
Investments	5,131,102	
Restricted Investments	1,743,098	36,602,498
Notes Receivable, Net		1,363,327
Depreciable Capital Assets, Net	85,451,720	49,360
Nondepreciable Capital Assets	24,436,829	
Other Assets		6,373,180
<b>Total Noncurrent Assets</b>	<b>125,029,914</b>	<b>44,388,365</b>
<b>TOTAL ASSETS</b>	<b>\$ 171,762,634</b>	<b>\$ 45,915,775</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 1,380,165	\$ 204,444
Salary and Payroll Taxes Payable	534,803	
Retainage Payable	1,177,357	
Deferred Revenue	3,396	4,871,144
Deposits Held for Others	7,959	
Long-Term Liabilities - Current Portion:		
Bonds Payable	155,000	
Notes Payable		12,088
Special Termination Benefits Payable	64,709	
Compensated Absences Payable	158,741	
<b>Total Current Liabilities</b>	<b>3,482,130</b>	<b>5,087,676</b>
Noncurrent Liabilities:		
Bonds Payable	18,180,000	
Notes Payable		38,279
Special Termination Benefits Payable	160,259	
Compensated Absences Payable	4,559,025	
Other Postemployment Benefits Payable	34,685	
<b>Total Noncurrent Liabilities</b>	<b>22,933,969</b>	<b>38,279</b>
<b>TOTAL LIABILITIES</b>	<b>26,416,099</b>	<b>5,125,955</b>

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**June 30, 2010**

	<b>College</b>	<b>Component Unit</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 91,553,549	\$ (1,007)
Restricted:		
Nonexpendable:		
Endowment	567,813	23,156,190
Expendable:		
Grants and Loans	1,755,508	
Scholarships	917,157	13,003,556
Capital Projects	38,421,767	
Debt Service	78,102	
Other Purposes	37,415	
Unrestricted	12,015,224	4,631,081
<b>Total Net Assets</b>	<b>145,346,535</b>	<b>40,789,820</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 171,762,634</b>	<b>\$ 45,915,775</b>

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

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2010**

	<b>College</b>	<b>Component Unit</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$16,807,259	\$ 19,671,149	\$
Federal Grants and Contracts	1,514,076	
Nongovernmental Grants and Contracts	1,396,319	1,547,695
Auxiliary Enterprises	1,800,215	
Other Operating Revenues	342,820	26,826
<b>Total Operating Revenues</b>	<b>24,724,579</b>	<b>1,574,521</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	42,586,818	
Scholarships and Waivers	13,223,196	4,122,875
Utilities and Communications	2,210,680	
Contractual Services	6,348,403	318,845
Other Services and Expenses	4,721,992	702,402
Materials and Supplies	4,643,185	
Depreciation	4,056,514	11,081
<b>Total Operating Expenses</b>	<b>77,790,788</b>	<b>5,155,203</b>
<b>Operating Loss</b>	<b>(53,066,209)</b>	<b>(3,580,682)</b>
<b>NONOPERATING REVENUES</b>		
State Appropriations	22,601,751	
Gifts and Grants	28,517,643	
Investment Income	218,904	981,472
Other Nonoperating Revenues	3,145,462	7,726,956
Interest on Capital Asset-Related Debt	(122,189)	(203,140)
<b>Net Nonoperating Revenue</b>	<b>54,361,571</b>	<b>8,505,288</b>
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	<b>1,295,362</b>	<b>4,924,606</b>
Capital Appropriations	5,998,468	
Increase to Permanent Endowments		66,259
<b>Total Other Revenues</b>	<b>5,998,468</b>	<b>66,259</b>
<b>Increase in Net Assets</b>	<b>7,293,830</b>	<b>4,990,865</b>
Net Assets, Beginning of Year	138,052,705	35,798,955
<b>Net Assets, End of Year</b>	<b>\$ 145,346,535</b>	<b>\$ 40,789,820</b>

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

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2010**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 18,708,993
Grants and Contracts	3,206,487
Payments to Suppliers	(15,933,127)
Payments for Utilities and Communications	(2,210,614)
Payments to Employees	(33,727,273)
Payments for Employee Benefits	(8,421,925)
Payments for Scholarships	(13,223,196)
Net Loans Issued to Students	(1,916,706)
Collection of Loans to Students	1,896,364
Auxiliary Enterprises	1,849,314
Other Receipts	296,634
	<b>(49,475,049)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	25,784,170
Gifts and Grants	27,364,275
	<b>53,148,445</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt	15,845,000
Capital Appropriations	20,438,712
Capital Grants and Gifts	1,078,887
Proceeds from Sale of Capital Assets	360
Purchases of Capital Assets	(19,770,250)
Principal Paid on Capital Debt and Leases	(90,000)
Interest Paid on Capital Debt and Leases	(122,189)
	<b>17,380,520</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	202,450
Purchase of Investments	(11,366,706)
	<b>(11,164,256)</b>
<b>Net Cash Used by Operating Activities</b>	<b>(49,475,049)</b>
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>53,148,445</b>
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>17,380,520</b>
<b>Net Cash Used by Investing Activities</b>	<b>(11,164,256)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>9,889,660</b>
Cash and Cash Equivalents, Beginning of Year	18,259,585
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 28,149,245</b>

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**For the Fiscal Year Ended June 30, 2010**

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (53,066,209)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,056,514
Changes in Assets and Liabilities:	
Receivables, Net	(618,168)
Due from Other Governmental Agencies	(239,942)
Prepaid Expenses	3,705
Accounts Payable	(49,679)
Salaries and Payroll Taxes Payable	133,328
Deferred Revenue	(3,824)
Deposits Held for Others	5,616
Loans to Students and Employees	(683)
Compensated Absences Payable	347,996
Special Termination Benefit Payable	(38,062)
Postemployment Healthcare Benefits Payable	(5,641)
	<b>\$ (49,475,049)</b>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	

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

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** The governing body of Edison 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 Charlotte, Collier, Glades, Hendry, and Lee Counties.

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

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2010.

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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

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

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
  - Notes to Financial Statements
- 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 units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follow GASB standards of accounting and financial reporting.

The College follows GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless the FASB pronouncements conflict with GASB pronouncements. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Accounting*, the College has the option to elect to apply all pronouncements of FASB issued after

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

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

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

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

**Cash and Cash Equivalents.** The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, cash invested overnight in a money market mutual fund, and cash placed with the State Treasury Special Purpose Investment Account (SPIA) and State Board of Administration (SBA) Florida PRIME, formerly known as the Local Government Funds Surplus Trust Fund Investment Pool. For 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 SPIA and the SBA Florida PRIME investment pool to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law and Securities and Exchange Commission registered money market funds with the highest quality rating from a nationally recognized agency. 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

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2010, the College reported as cash equivalents at fair value \$14,698,032 of moneys held in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of Af by Standard & Poor's and had an effective duration of 1.81 years at June 30, 2010. 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, 2010, the College reported as cash equivalents at fair value \$1,267,852 of moneys held in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool 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, 2010. 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 Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

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

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

**Noncurrent Liabilities.** Noncurrent liabilities include principal amounts of bonds 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.

**EDISON STATE COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**2. INVESTMENTS**

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

The College’s investments at June 30, 2010, are reported at fair value, as follows:

Investment Type	Amount
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 96,895
State Board of Administration Debt Service Accounts	1,175,739
Federal Agency Obligations	19,583,942
Corporate Bonds	787,627
Mutual Funds	567,359
<b>Total College Investments</b>	<b>\$ 22,211,562</b>

**State Board of Administration Fund B Surplus Funds Trust Fund**

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

At June 30, 2010, the College reported investments at fair value of \$96,895 for amounts held in Fund B. The College’s investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.67353149 at June 30, 2010. The weighted-average life (WAL) of Fund B at June 30, 2010, was

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

8.05 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2010. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

**State Board of Administration Debt Service Accounts**

The College reported investments at fair value totaling \$1,175,739 at June 30, 2010, 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's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. 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.

**Other Investments**

The College's investments at June 30, 2010, included \$20,371,569 of Federal agency obligations and corporate bonds reported at fair value. The College also had investments at June 30, 2010, totaling \$567,359 that consisted of mutual funds reported at fair value and are held as part of its endowments.

The following risks apply to these investments:

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of nonoperating funds ("core funds") shall have a term appropriate to the need for funds but should not exceed three (3) years.

The College utilizes "effective duration" as a measurement of interest rate risk and as of June 30, 2010, the Federal agency obligations had an effective duration of 0.98 years. The College's investments in mutual funds at June 30, 2010, do not have reported maturities.

As a means of managing its exposure to fair-value losses arising from increasing interest rates, the Financing Corporation has established a target for the duration of its fixed income portfolio up to 3 years. The corporate bonds have maturities between 1 to 3 years.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy does not have a policy on credit risk. The College's investments in Federal agency obligations at June 30, 2010, were rated between AAA and Aaa by Moody's and Standard & Poor's at June 30, 2010. The College's investments in mutual funds at June 30, 2010, were rated between Baa and Aaa by Moody's and Standard & Poor's at June 30, 2010.

It is the Financing Corporation's policy that the fixed income portfolio must be rated at AA or higher rating by any of the three rating services. The corporate bonds were rated AA by a national investment rating agency.

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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

As of June 30, 2010, the College's Federal agency obligations were held with a third-party custodian as required by the College's investment policy.

The Financing Corporation utilizes the services of investment managers for its investments, including custodial services. The corporate bonds held by the investment manager are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Financing Corporation's name.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investments in a single issuer. The College's investment procedure's has established asset allocation and issuer limits on the following investments which are designed to reduce concentration of credit risk of the College's investment portfolio. A maximum of 100 percent of available funds may be invested in the SBA Florida PRIME investment account, money market mutual funds and in the United States Government Securities; 50 percent of available funds may be invested in United States Government agencies; 80 percent of available funds may be invested in obligations of Federal agencies and instrumentalities; and 35 percent of available funds may be invested in nonnegotiable interest-bearing time certificates of deposit with a 5 percent limit on individual issuers.

The Financing Corporation's policy limits investments to U.S. Treasuries, government agencies, and corporate bonds. The maximum exposure to AA rated bonds is 25 percent of the portfolio's market value. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not have purchase limitations. The Financing Corporation also held a cash reserve in a U.S. Government Money Market Mutual Fund (Fund). An investment in the Fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC); the Public Security Act of the State of Florida, Chapter 280, Florida Statutes; or any other government agency. Although the Fund seeks to preserve the value of the investment at \$1 per share, it is possible to lose principal by investing in the Fund. The Financing Corporation has not experienced any losses on this account.

**EDISON STATE COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

Management of the Financing Corporation believes the concentration of credit risk with respect to its investments is mitigated by investing through the use of a national investment manager in U.S. Treasuries, government agencies, highly rated corporate bonds, and widely traded mutual funds.

**Component Unit Investments**

Investments held by the Edison State College Foundation, Inc., at March 31, 2010, consisted of mutual funds and are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Money Market Mutual Funds	\$ 5,085,486
Mutual Funds:	
Equities (1)	19,521,084
Bonds	<u>11,995,928</u>
<b>Total Component Unit Investments</b>	<b><u>\$ 36,602,498</u></b>

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

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

As of March 31, 2010, the maturities of the Foundation's fixed-income (mutual funds-bonds) investments of \$11,995,928 by percentage of its portfolio, are presented in the following table:

<u>Investment Maturities</u>	<u>Percentage of Portfolio</u>
Less than 1 Year	10.4
1 - 3 years	23.1
4 - 5 years	28.3
5 - 7 years	22.7
7 - 9 years	6.9
9 or more years	<u>8.6</u>
<b>Total</b>	<b><u>100.0</u></b>

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

*Credit Risk:* It is the Foundation's policy that the investment grade portion of the fixed-income portfolio be rated at the four highest ratings (i.e., single "A" or higher) or a comparable rating by Moody's or Standard & Poor's rating services, respectively. The high-yield portion of the fixed-income portfolio will

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

consist of below investment grade securities. There is no bottom limit on the ratings of the high-yield portfolio.

The Foundation's fixed-income investments at March 31, 2010, were rated as follows:

<u>Rating</u>	<u>Percent of Portfolio</u>
Government Agency	55.1
Aaa	12.6
Aa	5.5
A	9.8
Baa	10.4
Other	<u>6.6</u>
<b>Total</b>	<u><u>100.0</u></u>

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

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

*Concentration of Credit Risk:* The Foundation's policies state the non-United States investment grade portion of the fixed-income portfolio must consist of securities on non-United States issuers located in at least three non-United States countries. The Foundation's policies do not specifically limit the investments in debt securities.

### **3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for contracted auxiliary operations, and grant reimbursements due from third parties. These receivables are reported net of a \$389,895 allowance for uncollectible accounts.

### **4. NOTES RECEIVABLE**

Notes receivable represent student loans made under the short-term loan program. Notes receivable are reported net of a \$54,517 allowance for uncollectible notes.

### **5. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$6,164,653 of Public Education Capital Outlay allocations due from the State for construction, renovation, and maintenance of College facilities.

**EDISON STATE COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**6. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2010, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 3,079,830	\$ 411,360	\$	\$ 3,491,190
Art Collections	292,018			292,018
Construction in Progress	13,910,741	16,705,268	9,962,388	20,653,621
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 17,282,589</b>	<b>\$ 17,116,628</b>	<b>\$ 9,962,388</b>	<b>\$ 24,436,829</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 109,187,445	\$ 11,258,033	\$	\$ 120,445,478
Other Structures and Improvements	12,318,776	6,998		12,325,774
Furniture, Machinery, and Equipment	5,596,355	1,345,633	313,744	6,628,244
<b>Total Depreciable Capital Assets</b>	<b>127,102,576</b>	<b>12,610,664</b>	<b>313,744</b>	<b>139,399,496</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	38,811,720	2,763,239		41,574,959
Other Structures and Improvements	7,353,979	622,894		7,976,873
Furniture, Machinery, and Equipment	4,043,676	666,012	313,744	4,395,944
<b>Total Accumulated Depreciation</b>	<b>50,209,375</b>	<b>4,052,145</b>	<b>313,744</b>	<b>53,947,776</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 76,893,201</b>	<b>\$ 8,558,519</b>	<b>\$</b>	<b>\$ 85,451,720</b>

**7. DEFERRED REVENUE**

Deferred revenue consists of \$3,396 of unearned grant revenues received prior to fiscal year-end related to subsequent accounting periods.

**8. DEFERRED REVENUE – COMPONENT UNIT**

The Foundation received contributions and grants with either time or eligibility requirements. The amounts are available when the restrictions have expired or eligibility requirements have been met. As of March 31, 2010, the following amounts related to these contributions were reported as deferred revenue:

<u>Description</u>	<u>Amounts</u>
Contingent Donation	\$ 600,000
Irrevocable Charitable Remainder Annuity Trusts	375,272
Pooled Gift Annuity	1,595,872
Life Estate Trust	2,300,000
<b>Total Long-Term Liabilities</b>	<b>\$4,871,144</b>

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

**9. LONG-TERM LIABILITIES**

Long-term liabilities of the College at June 30, 2010, include bonds payable, special termination benefits payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2010, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 2,580,000	\$ 15,900,000	\$ 145,000	\$ 18,335,000	\$ 155,000
Special Termination Benefits Payable	263,030	50,633	88,695	224,968	64,709
Compensated Absences Payable	4,369,770	388,639	40,643	4,717,766	158,741
Other Postemployment Benefits Payable	40,326		5,641	34,685	
<b>Total Long-Term Liabilities</b>	<b>\$ 7,253,126</b>	<b>\$ 16,339,272</b>	<b>\$ 279,979</b>	<b>\$ 23,312,419</b>	<b>\$ 378,450</b>

**Bonds Payable.** The various bonds were issued to finance capital outlay projects of the College. The following is a description of the bonded debt issues:

- State Board of Education Capital Outlay Bonds. 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.
- Department of Education Capital Improvement Revenue Bonds, Series 2010A. The Division of Bond Finance, on behalf of the Department of Education and the College, issues Capital Improvement Revenue Bonds. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the Capital Improvement Fees collected pursuant to Section 1009.23(11), Florida Statutes, by the 2010A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the 2010A bonds. These bonds constitute the first series of bonds to be issued pursuant to a Master Authorizing Resolution. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all colleges participating in any series of bonds then outstanding. The 2010A bonds will share the lien of such additional bonds on the 2010A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The bonds were issued for new construction and renovation and remodeling of educational facilities.

The College had the following bonds payable at June 30, 2010:

**EDISON STATE COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education			
Capital Outlay Bonds:			
Series 2008A	\$1,395,000	3.50 - 5.00	2028
Series 2005B	55,000	5.0	2018
Series 2005A, Refunding	455,000	5.0	2017
Series 2005A, New Money	280,000	4.0 - 5.0	2025
Series 2004A	110,000	3.35 - 4.625	2024
Series 2002B	140,000	4.00 - 5.375	2014
<b>Total State Board of Education Bonds</b>	<b>\$2,435,000</b>		
Department of Education			
Capital Improvement Revenue Bonds:			
Series 2010A	15,900,000	3.0 - 4.375	2031
<b>Total Bonds Payable</b>	<b>\$ 18,335,000</b>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2011	\$ 155,000	\$ 444,721	\$ 599,721
2012	700,000	710,877	1,410,877
2013	750,000	687,090	1,437,090
2014	760,000	661,465	1,421,465
2015	760,000	635,603	1,395,603
2016-2020	3,975,000	2,753,343	6,728,343
2021-2025	4,730,000	1,887,515	6,617,515
2026-2030	5,380,000	823,489	6,203,489
2031	1,125,000	24,615	1,149,615
<b>Total</b>	<b>\$ 18,335,000</b>	<b>\$ 8,628,718</b>	<b>\$ 26,963,718</b>

**Special Termination Benefits Payable.** On November 16, 1989, the Board approved a Retirement Incentive Program (Program) that established certain eligibility guidelines for employees to receive benefits under this Program. For qualifying employees, the Program provides payment of 50 percent of the cost of hospitalization and life insurance coverage for a period of 36 calendar months after the effective date of separation; payment for 50 percent of accumulated sick leave for the first 10 years of creditable service, plus an additional 2.5 percent of accumulated sick leave for each year of creditable service beyond 10 years to a maximum of 20 additional years; and a one-time only salary bonus. The College reported a special termination benefits payable for 12 employees of \$224,968 at June 30, 2010, of which \$64,709 represents the current portion.

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2010, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$4,717,766. The current portion of the compensated absences liability of \$158,741 is the amount expected to be paid in the coming fiscal year, and represents eligible payments for unused sick leave on behalf of regular retirees and/or Deferred Retirement Option Program participants to a deferred compensation annuity program.

**Other Postemployment Benefits Payable.** The College follows Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain other postemployment healthcare and life insurance benefits provided by the Florida College System Risk Management Consortium (Consortium).

*Plan Description.* The College contributes to an agent, multiple-employer, defined-benefit plan administered by the Consortium. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plans 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 health coverage as soon as they are eligible. Neither the College nor the Consortium issue stand-alone annual report for the plan and the plan is not included in the annual report of a public employee retirement system or another entity.

*Funding Policy.* Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend the benefits and contribution rates. 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 plans are financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 48 retirees received postemployment healthcare benefits, and 84 retirees received postemployment life insurance benefits. The College provided required contributions of \$39,900 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$315,076.

*Annual OPEB Cost and Net OPEB Obligation.* The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45. The ARC represents a level of

**EDISON STATE COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

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 plans, and changes in the College’s net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 20,779
Amortization of Unfunded Actuarial Accrued Liability	<u>12,404</u>
<b>Annual Required Contribution</b>	33,183
Interest on Net OPEB Obligation	1,241
Adjustment to Annual Required Contribution	<u>(1,218)</u>
<b>Annual OPEB Cost (Expense)</b>	33,206
Contribution Toward the OPEB Cost	<u>39,900</u>
<b>Decrease in Net OPEB Obligation</b>	(6,694)
Net OPEB Obligation, Beginning of Year	40,326
Adjustment to Net OPEB Obligation, Beginning of Year	<u>1,053</u>
<b>Adjusted Net OPEB Obligation, Beginning of Year</b>	<u>41,379</u>
<b>Net OPEB Obligation, End of Year</b>	<u><u>\$ 34,685</u></u>

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, 2010, and for the transition and preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Beginning Balance, July 1, 2007	\$		\$
2007-08	22,009	20.3%	17,543
2008-09	22,783	0.0%	41,379
2009-10	33,206	120%	34,685

*Funded Status and Funding Progress.* As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$443,121 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$443,121 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$25,684,249 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.7 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

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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 the 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 OPEB actuarial valuation as of July 1, 2009, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the College's 2009-10 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 4 percent per year, and an annual healthcare cost trend rate of 8 percent for the 2009-10 fiscal year, reduced by 0.1 to 0.3 percent per year, to an ultimate rate of 4.5 percent after 18 years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years. The remaining amortization period at June 30, 2010, was 27 years.

## **10. RETIREMENT PROGRAMS**

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

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

**EDISON STATE COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

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 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 2009-10 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 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$1,481,522, \$1,487,906, and \$1,640,410, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 173 College participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$544,847.

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.

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

**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 37 College participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled \$244,222.

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

The College contributes an amount equal to a percentage of the participant's salary to an annuity plan provided by approved sponsors. The Board approves the College's contribution percentage rate each year. The participant does not make any contributions to the Plan. Each participant is fully vested immediately. During the 2009-10 fiscal year, there were four Plan participants, and the College contributed \$120,655 to the Local Annuity Plan.

#### **11. OTHER TERMINATION BENEFITS**

The College provides an IRS approved Code Section 401(a) pre-tax program for termination pay that permits the College to disburse termination pay in a tax-advantaged manner for both the College and the employee. Contributions are limited by IRS regulation. All employees in designated employee classes with at least 10 years of service at the time of separation are mandated to participate in this program. The College deferred \$202,479 in salaries for 13 employees during the 2009-10 fiscal year for the other termination benefits.

#### **12. SAVINGS INCENTIVE PLAN**

Effective January 1, 1994, the Board approved the adoption of a Savings Incentive Plan (Plan) as provided by Section 403(b) of the Internal Revenue Code of 1986. Under the Plan, all full-time employees can elect to

**EDISON STATE COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

defer a portion of their salary within Internal Revenue Service guidelines. The College may make a matching employer contribution in an amount to be determined annually by the Board at its discretion. During the 2009-10 fiscal year, the College matched one dollar for every dollar up to the first three percent of employee compensation. Each employee is fully vested upon enrollment in the Plan, and is allowed to direct the investment of his or her account to any one of the various fund groups and insurance companies approved for investment by the College. During the 2009-10 fiscal year, the College contributed \$307,744 as matching funds under the Plan.

**13. CONSTRUCTION COMMITMENTS**

The College’s major construction commitments at June 30, 2010, are as follows:

<u>Project Description</u>	<u>Total Contract</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
<b>Nursing Building - Lee Campus:</b>			
Construction Manager	\$ 10,719,591	\$ 8,870,494	\$ 1,849,097
Architect	1,338,605	1,242,077	96,528
Direct Materials	2,297,750	1,069,299	1,228,451
<b>Collegiate High School - Charlotte Campus:</b>			
Construction Manager	1,791,035	1,509,268	281,767
Architect	142,500	141,135	1,365
Direct Materials	421,972	377,377	44,595
<b>Allied Health Building - Collier Campus:</b>			
Architect	1,288,418	858,484	429,934
<b>Cold Water Storage - Collier Campus:</b>			
Construction Manager	317,730		317,730
Architect	113,795	96,476	17,319
Direct Materials	935,500		935,500
<b>Total</b>	<b><u>\$ 19,366,896</u></b>	<b><u>\$ 14,164,610</u></b>	<b><u>\$ 5,202,286</u></b>

**14. OPERATING LEASE COMMITMENTS**

The College rents office equipment and computers under operating leases, which expire on various dates through the year 2014. These leased assets and the related commitments are not reported on the College’s statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2011	\$ 497,683
2012	323,110
2013	104,414
2014	69,307
<b>Total Minimum Payments Required</b>	<b><u>\$ 994,514</u></b>

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

**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 \$175 million through February 28, 2010, and up to \$150 million effective March 1, 2010. Insurance coverage obtained through the Consortium included health and hospitalization, life, dental, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**16. SCHEDULE OF STATE REVENUE SOURCES**

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

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

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

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 19,179,721
Gross Receipts Tax (Public Education Capital Outlay)	5,578,465
Education Enhancement Trust Fund (Lottery)	2,705,885
Bright Futures Scholarship Program	2,141,953
Florida Student Assistance Grants	791,014
Florida Education Finance Program	489,824
Motor Vehicle License Tax (Capital Outlay and Debt Service)	420,400
Other State Sources	497,649
<b>Total</b>	<b><u><u>\$ 31,804,911</u></u></b>

### 17. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 25,147,007
Public Service	252,749
Academic Support	6,155,568
Student Services	6,665,381
Institutional Support	12,464,130
Operation and Maintenance of Plant	9,096,151
Scholarships and Fellowships	13,333,798
Depreciation	4,056,514
Auxiliary Enterprises	619,490
<b>Total Operating Expenses</b>	<b><u><u>\$ 77,790,788</u></u></b>

### 18. 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:

**EDISON STATE COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**Statement of Current Unrestricted Funds Net Assets**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 2,098,087
Investments	6,643,363
Accounts Receivable, Net	2,847,792
Notes Receivable, Net	129,714
Due from Other Governmental Agencies	889,571
Prepaid Expenses	<u>616,323</u>

**TOTAL ASSETS**

**\$ 13,224,850**

**LIABILITIES**

Current Liabilities:

Accounts Payable	\$ 912,402
Salary and Payroll Taxes Payable	517,711
Deposits Held for Others	7,569
Special Termination Benefits Payable	64,709
Compensated Absences Payable	<u>158,741</u>

**Total Current Liabilities**

1,661,132

Noncurrent Liabilities:

Special Termination Benefits Payable	160,259
Compensated Absences Payable	4,548,801
Other Postemployment Benefits Payable	<u>34,685</u>

**TOTAL LIABILITIES**

6,404,877

**TOTAL NET ASSETS**

6,819,973 (1)

**TOTAL LIABILITIES AND NET ASSETS**

\$ 13,224,850

Note: (1) Total net assets includes unrestricted net assets only for the College's current unrestricted funds, does not include the College's blended component unit.

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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

**REVENUES**

## Operating Revenues:

Student Tuition and Fees, Net of Scholarship		
Allowance of \$13,635,068	\$	15,958,429
Nongovernmental Grants and Contracts		2,500
Auxiliary Enterprises		1,777,620
Other Operating Revenue		<u>134,417</u>
<b>Total Operating Revenues</b>		<u><u>17,872,966</u></u>

**EXPENSES**

## Operating Expenses:

Personnel Services		23,682,462
Scholarships and Waivers		101,210
Utilities and Communications		2,200,158
Contractual Services		5,776,466
Other Services and Expenses		3,197,716
Materials and Supplies		<u>2,454,159</u>
<b>Total Operating Expenses</b>		<u><u>37,412,171</u></u>
<b>Operating Loss</b>		<u><u>(19,539,205)</u></u>

**NONOPERATING REVENUES**

State Appropriations		21,885,606
State Appropriated American Recovery and Reinvestment Act Funds		1,910,711
Investment Income		125,052
Other Nonoperating Revenues		<u>99,866</u>
<b>Net Nonoperating Revenues</b>		<u><u>24,021,235</u></u>

**Loss Before Other Revenues,  
Expenses, Gains, or Losses**

Capital Appropriations		6,306
Transfers to/from Other Funds		<u>(2,339,928)</u>

**Increase in Net Assets**

Net Assets, Beginning of Year		<u>4,671,565</u>
<b>Net Assets, End of Year</b>	\$	<u><u>6,819,973</u></u>

**EDISON STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

**19. SUBSEQUENT EVENTS**

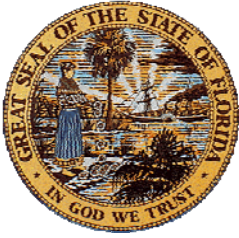
On December 1, 2010, the Edison State College Financing Corporation (Financing Corporation), a component unit of Edison State College, entered into a Financing Agreement with the Lee County Industrial Development Authority to issue a \$26,300,000 Industrial Development Revenue Bond for the construction of approximately a 400-bed dormitory. On December 21, 2010, the Financing Corporation closed on the Bond purchased by Branch Banking and Trust Company (BB&T) as a tax-exempt Bank Qualified Loan (BQ). The BQ provides for the repayment of principal and related interest through December 1, 2040. The BQ will bear interest at a rate computed as the sum of (a) 68 percent of one-month London Interbank Offered Rate (LIBOR) and (b) 65 percent of 1.85 percent per annum, as adjusted monthly with changes in one-month LIBOR. On December 23, 2010, the Financing Corporation, as the counterparty, entered into an interest rate swap agreement (Swap) with BB&T for the purpose of hedging its variable interest rate risk on the tax-exempt loan. The Swap provides that the Financing Corporation, pay an annual fixed rate of 3.66 percent effective July 1, 2012, and terminating December 17, 2017. The term and notional amount of the Swap will not exceed the term and principal amount of the tax-exempt loan.

**EDISON STATE COLLEGE  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS –  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (2) (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	\$ -	\$ 229,158	\$ 229,158	0%	\$ 23,249,339	1.0%
7/1/2009	\$ -	\$ 443,121	\$ 443,121	0%	\$ 25,684,249	1.7%

Notes: (1) Edison State College postemployment benefit plan valuation reports under GASB 45 were prepared as of July 1, 2007, and July 1, 2009, for fiscal years ending June 30, 2008, and June 30, 2010.

(2) The Actuarial Accrued Liability (AAL) was prepared under the Projected Unit Credit (PUC) cost method.



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

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

We have audited the financial statements of Edison State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2010, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting

that might be deficiencies, 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, 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*.

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  
January 14, 2011