Agenda Item # 2.
Audited Financial Report
Mrs. Gina Doeble

REPORT NO. 2012-101
MARCH 2012

EDISON STATE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2011

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

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

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

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

EDISON STATE COLLEGE
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether 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, 2011. 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. The results of our operational audit of the College are included in our report No. 2012-024.

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S REPORT ON 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, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. 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, 2011, 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** and the **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, as listed in the table of contents, 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

David W. Martin, CPA
February 7, 2012

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, 2011, 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 $191.2 million at June 30, 2011. This balance reflects a $19.4 million, or 11.3 percent, increase from the 2009-10 fiscal year. Liabilities totaled $33 million at June 30, 2011, which reflects an increase of $6.7 million, or 25.2 percent, from the prior year. As a result, the College's net assets increased by $12.8 million, reaching a year-end balance of $158.1 million.

The College's operating revenues totaled $25.3 million for the 2010-11 fiscal year, representing a 2.5 percent increase over the 2009-10 fiscal year. Although gross tuition revenues increased due to an increase in enrollment, the College's net tuition revenues decreased as a result of the increase in the scholarship allowance. The scholarship allowance of $22.4 million increased by $5.6 million, or 33.5 percent, due to the increase in scholarships provided to students from Federal, State, local, institutional, and other sources. Although there was a growth in enrollment, there was also an increase in the number of needs-based students. Operating expenses totaled $86.1 million for the 2010-11 fiscal year, representing an increase of 10.7 percent over the 2009-10 fiscal year primarily due to an increase in personnel costs, other services and expenses, and materials and supplies.

OVERVIEW OF FINANCIAL STATEMENTS

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

- Edison State College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Edison State College Foundation, Inc. (Discretely Presented Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida. The Foundation's fiscal year is from April 1st through March 31st and, as a result, the Foundation's financial activities presented in the MD&A and accompanying financial statements are for the years ended March 31, 2011, and 2010, respectively.
- Edison State College Financing Corporation (Blended Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida. Based on the application of the criteria for determining component units, the Financing Corporation is included within the College's reporting entity as a blended component unit. The Financing Corporation's fiscal year is from April 1st through March 31st. As a result, the Financing Corporation's financial activities included in the MD&A and accompanying financial statements are for the years ended March 31, 2011, and 2010, respectively.

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

One of the most important questions asked about the College's finances is, "Is Edison State College as a whole, better or worse off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Edison State College's operating results.

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

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

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

Condensed Statement of Net Assets at
(In Thousands)

	College			Component Unit		
	6-30-11		6-30-10	3-31-11		3-31-10
Assets						
Current Assets	$ 33,277		$ 46,733	$ 1,103		$ 1,527
Capital Assets, Net	135,422		109,889	37		49
Other Noncurrent Assets	22,474		15,141	47,074		44,339
Total Assets	191,173		171,763	48,214		45,915
Liabilities						
Current Liabilities	8,640		3,482	4,761		5,087
Noncurrent Liabilities	24,434		22,934	1,126		38
Total Liabilities	33,074		26,416	5,887		5,125
Net Assets						
Invested in Capital Assets, Net of Related Debt	116,234		91,554	(1)		(1)
Restricted	26,300		41,778	38,066		36,160
Unrestricted	15,565		12,015	4,262		4,631
Total Net Assets	$ 158,099		$ 145,347	$ 42,327		$ 40,790
Increase in Net Assets	$ 12,752	8.8%		$ 1,537	3.8%	

Assets

Current assets decreased by $13.5 million, or 28.8 percent, primarily due to a decrease in current investments of $10.8 million and a decrease in amounts due from other governmental agencies of $3 million for Public Education Capital Outlay projects.

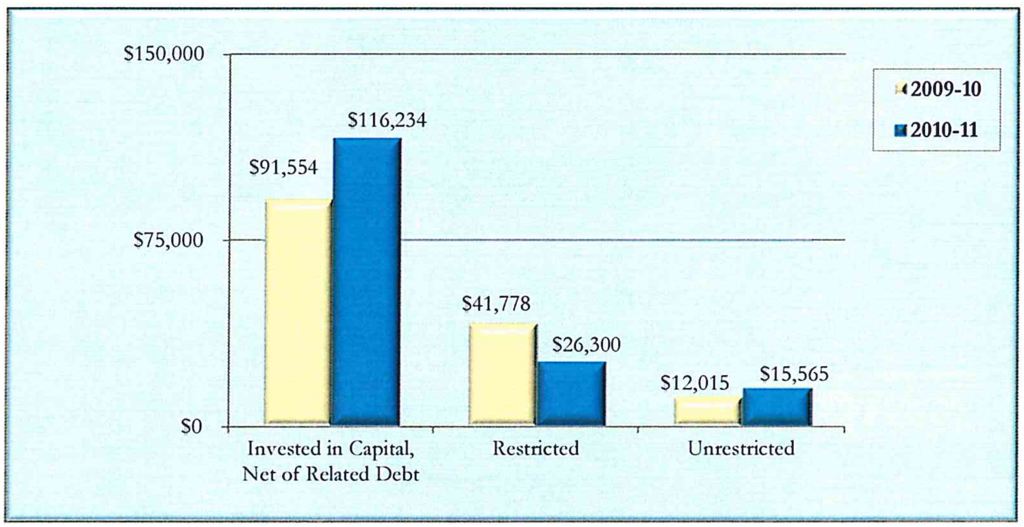
Capital assets, net increased by $25.5 million, or 23.2 percent, primarily due to construction in progress for the New Classroom Building – Lee Campus of $8.3 million, the Nursing Building – Lee Campus of $12.8 million, and the Allied Health Building – Collier Campus of $5.8 million.

Other noncurrent assets increase by $7.3 million, or 48.4 percent, primarily due to an increase in long-term investments.

Current liabilities increased by $5.2 million, or 148.1 percent, primarily due to an increase in amounts due for construction projects in progress at year end.

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

Net Assets at June 30: College
(In Thousands)



Revenues and expenses of the College and its component unit for the 2010-11 and 2009-10 fiscal years are shown in the following table:

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

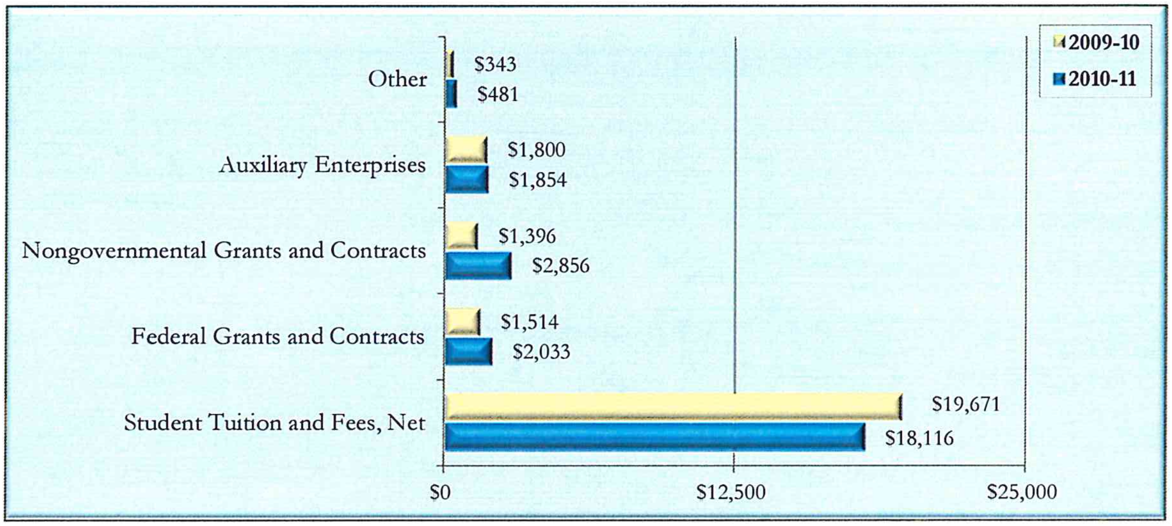
	College		Component Unit	
	6-30-11	6-30-10	3-31-11	3-31-10
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	$ 18,116	$ 19,671	$	$
Federal Grants and Contracts	2,033	1,514		
Nongovernmental Grants and Contracts	2,856	1,396	961	1,548
Auxiliary Enterprises	1,854	1,800		
Other Operating Revenues	481	343	26	27
Total Operating Revenues	25,340	24,724	987	1,575
Less, Operating Expenses	86,122	77,790	3,510	5,155
Operating Loss	(60,782)	(53,066)	(2,523)	(3,580)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	27,224	22,602		
Other Nonoperating Revenues	33,266	31,882	3,756	8,708
Nonoperating Expenses	(751)	(122)		(203)
Net Nonoperating Revenues	59,739	54,362	3,756	8,505
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,043)	1,296	1,233	4,925
State Capital Appropriations	12,535	5,998		
Capital Grants, Contracts, Gifts, and Fees	1,260			
Increases to Permanent Endowment			304	66
Increase in Net Assets	12,752	7,294	1,537	4,991
Net Assets, Beginning of Year	145,347	138,053	40,790	35,799
Net Assets, End of Year	$ 158,099	$ 145,347	$ 42,327	$ 40,790

Operating Revenues

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

The following chart presents the College's operating revenues for the 2010-11 and 2009-10 fiscal years:

Operating Revenues: College
(In Thousands)



When compared to the prior fiscal year, the College's operating revenue increased by approximately $616,000 thousand, due primarily to an increase in the amount of Federal and 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 respective fiscal years ended are presented in the following table:

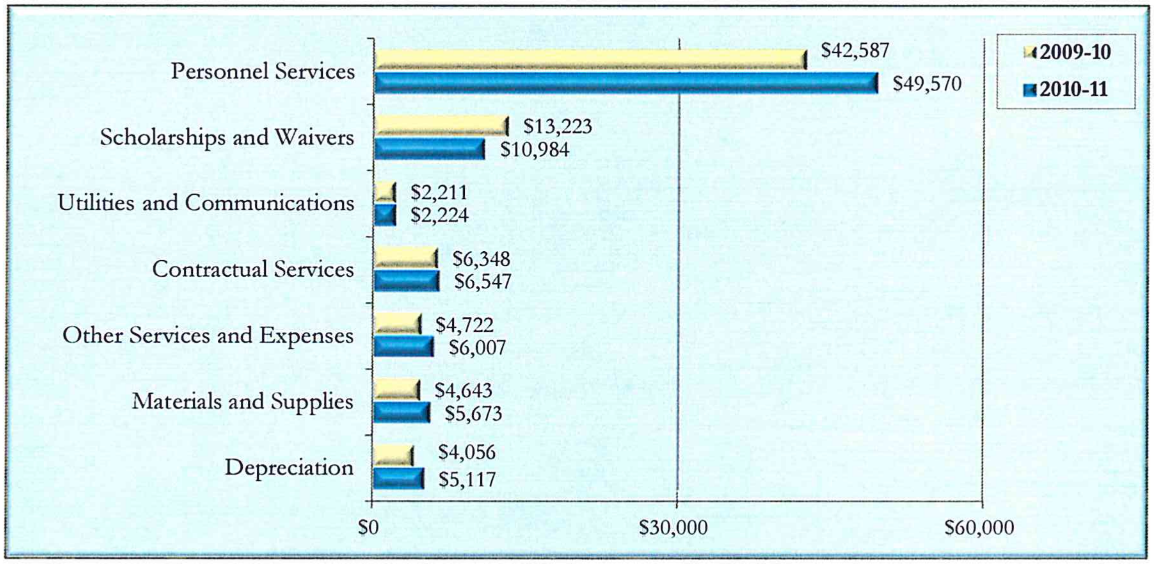
Operating Expenses for the Fiscal Years Ended
(In Thousands)

	College		Component Unit	
	6-30-11	6-30-10	3-31-11	3-31-10
Operating Expenses				
Personnel Services	$ 49,570	$ 42,587	$	$
Scholarships and Waivers	10,984	13,223	2,347	4,123
Utilities and Communications	2,224	2,211		
Contractual Services	6,547	6,348	423	319
Other Services and Expenses	6,007	4,722	728	702
Materials and Supplies	5,673	4,643		
Depreciation	5,117	4,056	12	11
Total Operating Expenses	$ 86,122	$ 77,790	$ 3,510	$ 5,155

Operating expenses increased $8.3 million primarily as the result of an increase in personnel costs of $7 million and an increase in other services and expenses of $1.3 million. The increase in personnel costs represents a 16.4 percent increase over the prior year and was due to adding new faculty/adjunct positions to support an increase in full-time equivalent student enrollment of 7.2 percent and a salary increase of 4 percent. Other services and expenses increased by $1.3 million, or 27.2 percent, due to an increase in services to support increases in student enrollment.

The following chart presents the College's operating expenses for the 2010-11 and 2009-10 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 2010-11 and 2009-10 fiscal years:

Nonoperating Revenues (Expenses): College
(In Thousands)

	2010-11	2009-10
State Noncapital Appropriations	$ 27,224	$ 22,602
Gifts and Grants	32,447	28,518
Investment Income	791	219
Other Nonoperating Revenues	28	3,145
Nonoperating Expenses	(751)	(122)
Net Nonoperating Revenues	$ 59,739	$ 54,362

Changes in nonoperating revenues were primarily due to a $3.9 million, or 13.8 percent, increase in gifts and grants and was primarily related to an increase in Federal student financial aid. The increase in students with financial aid need was primarily met by an increase in the Pell Grant Program, which amounted to $25.7 million for fiscal year 2010-11, an increase of 13.7 percent or $3.1 million from the prior year. Other nonoperating revenues decreased $3.1 million, or 99.1 percent, primarily due to a decrease in gifts and grants for student aid.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2010-11 and 2009-10 fiscal years:

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

	2010-11	2009-10
State Capital Appropriations	$ 12,535	$ 5,998
Capital Grants, Contracts, Gifts, and Fees	1,260	
Total	$ 13,795	$ 5,998

The $6.5 million increase in State capital appropriations is due to an increase in Public Education Capital Outlay funding for the construction of new buildings and the remodel and renovation of existing buildings on all College Campuses.

THE STATEMENT OF CASH FLOWS

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess 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 2010-11 and 2009-10 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College
(In Thousands)

	2010-11	2009-10
Cash Provided (Used) by:		
Operating Activities	$ (52,294)	$ (49,475)
Noncapital Financing Activities	59,702	53,148
Capital and Related Financing Activities	(19,102)	17,380
Investing Activities	4,737	(11,164)
Net Increase (Decrease) in Cash and Cash Equivalents	(6,957)	9,889
Cash and Cash Equivalents, Beginning of Year	28,149	18,260
Cash and Cash Equivalents, End of Year	$ 21,192	$ 28,149

The College's cash inflows from operating activities were primarily provided by tuition and fees ($17 million). Cash outlays from operating activities were primarily for payments for employee wages and benefits ($49.8 million), payments to suppliers ($13.1 million), and payments for scholarships ($11) million.

Cash provided by noncapital financing activities increased by $6.6 million and was due to increases in Pell Grant funds for student financial aid and increases in funding from State, local, institutional, and private sources. Gifts and grants ($32.5 million), State noncapital appropriations ($27.2), and amounts received for the Federal Direct Student Loan program ($17.7 million) were the sources of noncapital financing inflows. Other noncapital financing activities gifts and grants are considered nonexchange transactions in accordance with GASB Statement No. 35. Noncapital financing cash outflows were for disbursements to students for the Federal Direct Student Loan program ($17.7 million). The increase in cash flows from gifts and grants, noncapital financing activities, are primarily

Cash provided by capital and related activities was primarily from Public Education Capital Outlay appropriations ($9.5 million) and proceeds from the issuance of bond debt ($2.2 million). The decrease in cash flows from capital and related financing are primarily due to the purchases of capital assets ($30.4 million).

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2011, the College had $194.2 million invested in capital assets, less accumulated depreciation of $58.8 million, for net capital assets of $135.4 million. Depreciation charges for the current fiscal year totaled $5.1 million. The following table summarizes the College's capital assets at June 30:

Capital Assets
(In Thousands)

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 3,491	$	$	$ 3,491
Art Collections	292	5		297
Buildings	120,445	7,155		127,600
Other Structures and Improvements	12,326	233		12,559
Furniture, Machinery, and Equipment	6,628	1,236	303	7,561
Construction in Progress	20,654	29,409	7,388	42,675
Total	163,836	38,038	7,691	194,183
Less, Accumulated Depreciation:				
Buildings	41,575	3,771		45,346
Other Structures and Improvements	7,976	453		8,429
Furniture, Machinery, and Equipment	4,396	893	303	4,986
Total Accumulated Depreciation	53,947	5,117	303	58,761
Capital Assets, Net	$109,889	$32,921	$ 7,388	$135,422

The College has $25.7 million in construction contract commitments at June 30, 2011. Major capital projects completed during the 2010-11 fiscal year included the completion of the Collegiate High School – Charlotte Campus Building extension for $1.8 million, remodel and renovation work in Buildings C, L, Q, and T on the Lee Campus totaling $2.8 million, and other district-wide remodeling and renovation projects. More detailed information about the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had $19.8 million in long-term debt outstanding, comprised primarily 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. Due to the current economic downturn, the State has had to decrease the amounts appropriated for colleges for the 2011-12 fiscal year. State noncapital appropriations comprised approximately 40 percent of the College's total unrestricted general revenue, which is consistent with amounts received in the prior year. Although the College maintains a healthy unrestricted fund balance, driven primarily by increased student enrollment and fees, it has had to reserve funds in order to meet its long term needs as Federal and State funding decrease. These factors indicate that current operations will be adequately funded for the future.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A and other required supplementary information and financial statements and notes thereto, or requests for additional financial information should be addressed to the Gina Doeble, CPA, Vice President for 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, 2011

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 4,646,873	$ 254,263
Restricted Cash and Cash Equivalents	12,837,093	35,463
Accounts Receivable, Net	4,962,855	246,079
Notes Receivable, Net	124,597	562,500
Due from Other Governmental Agencies	10,537,899	
Prepaid Expenses	167,532	4,281
Total Current Assets	33,276,849	1,102,586
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,708,518	
Investments	11,892,364	
Restricted Investments	6,372,570	39,682,050
Notes Receivable, Net		260,827
Depreciable Capital Assets, Net	88,959,237	37,272
Nondepreciable Capital Assets	46,463,562	
Deferred Outflow of Resources	181,312	
Other Assets	319,038	7,131,676
Total Noncurrent Assets	157,896,601	47,111,825
TOTAL ASSETS	$ 191,173,450	$ 48,214,411
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 6,300,144	$ 73,669
Salary and Payroll Taxes Payable	690,830	
Retainage Payable	1,282,399	
Deposits Held for Others	16,523	
Deferred Revenue		4,675,757
Long-Term Liabilities - Current Portion:		
Bonds Payable	160,000	
Notes Payable		12,088
Special Termination Benefits Payable	91,459	
Compensated Absences Payable	99,133	
Total Current Liabilities	8,640,488	4,761,514
Noncurrent Liabilities:		
Bonds Payable	19,657,702	
Notes Payable		1,126,191
Installment Purchase(s) Payable		
Derivative Instrument Liability	181,312	
Special Termination Benefits Payable	104,328	
Compensated Absences Payable	4,459,748	
Other Postemployment Benefits Payable	30,834	
Total Noncurrent Liabilities	24,433,924	1,126,191
TOTAL LIABILITIES	33,074,412	5,887,705

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2011

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 116,233,546	$ (1,007)
Restricted:		
Nonexpendable:		
Endowment	672,751	24,705,414
Expendable:		
Grants and Loans	1,594,368	
Scholarships	1,052,698	13,360,438
Capital Projects	22,906,002	
Debt Service	74,362	
Unrestricted	15,565,311	4,261,861
Total Net Assets	158,099,038	42,326,706
TOTAL LIABILITIES AND NET ASSETS	$ 191,173,450	$ 48,214,411

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, 2011

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $22,434,426	$ 18,115,916	$
Federal Grants and Contracts	2,033,126	
Nongovernmental Grants and Contracts	2,856,484	960,514
Auxiliary Enterprises	1,853,591	
Other Operating Revenues	481,121	26,000
Total Operating Revenues	25,340,238	986,514
EXPENSES		
Operating Expenses:		
Personnel Services	49,569,633	
Scholarships and Waivers	10,983,952	2,346,793
Utilities and Communications	2,224,527	
Contractual Services	6,547,003	423,443
Other Services and Expenses	6,007,521	727,516
Materials and Supplies	5,673,067	
Depreciation	5,116,705	12,088
Total Operating Expenses	86,122,408	3,509,840
Operating Loss	(60,782,170)	(2,523,326)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	27,223,679	
Gifts and Grants	32,446,953	
Investment Income	791,090	1,278,382
Other Nonoperating Revenues	28,477	2,477,512
Interest on Capital Asset-Related Debt	(750,983)	
Net Nonoperating Revenues	59,739,216	3,755,894
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,042,954)	1,232,568
State Capital Appropriations	12,535,134	
Capital Grants, Contracts, Gifts, and Fees	1,260,323	
Increase to Permanent Endowments		304,318
Total Other Revenues	13,795,457	304,318
Increase in Net Assets	12,752,503	1,536,886
Net Assets, Beginning of Year	145,346,535	40,789,820
Net Assets, End of Year	$ 158,099,038	$ 42,326,706

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, 2011

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 16,951,913
Grants and Contracts	4,452,622
Payments to Suppliers	(13,077,907)
Payments for Utilities and Communications	(2,224,527)
Payments to Employees	(39,463,512)
Payments for Employee Benefits	(10,324,682)
Payments for Scholarships	(10,983,951)
Loans Issued to Students	(618,747)
Collection on Loans to Students	673,184
Auxiliary Enterprises	1,843,471
Other Receipts	477,949
Net Cash Used by Operating Activities	(52,294,187)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	27,223,679
Gifts and Grants Received for Other Than Capital or Endowment Purposes	32,478,511
Direct Loan Program Receipts	17,676,954
Direct Loan Program Disbursements	(17,676,954)
Net Cash Provided by Noncapital Financing Activities	59,702,190
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	9,487,573
Proceeds from Capital Debt	2,177,702
Capital Grants and Gifts	1,122,807
Proceeds from Sale of Capital Assets	3,052
Purchases of Capital Assets	(30,447,634)
Principal Paid on Capital Debt and Leases	(695,000)
Interest Paid on Capital Debt and Leases	(750,983)
Net Cash Used by Capital and Related Financing Activities	(19,102,483)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	4,838,474
Purchase of Investments	(935,622)
Investment Income	834,867
Net Cash Provided by Investing Activities	4,737,719
Net Decrease in Cash and Cash Equivalents	(6,956,761)
Cash and Cash Equivalents, Beginning of Year	28,149,245
Cash and Cash Equivalents, End of Year	$ 21,192,484

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2011

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (60,782,170)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,116,705
Changes in Assets and Liabilities:	
Receivables, Net	(1,609,147)
Due From Other Governmental Agencies	20,232
Prepaid Expenses	453,540
Accounts Payable	4,482,938
Salary and Payroll Taxes Payable	156,027
Deferred Revenue	(3,396)
Deposits Held for Others	8,564
Loans to Students	54,437
Compensated Absences Payable	(158,885)
Special Termination Benefits Payable	(29,181)
Other Postemployment Benefits Payable	(3,851)
NET CASH USED BY OPERATING ACTIVITIES	$ (52,294,187)

SUPPLEMENTAL DICLOSURE OF NONCASH INVESTING ACTIVITY

Unrealized losses on investments were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	$ (43,777)

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, 2011

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 (GASB) *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 activities 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, 2011.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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 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 follows 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 Fund Accounting,* the College has the option to elect to apply all pronouncements of FASB issued

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

after 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 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 SBA Florida PRIME investment pool to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

At June 30, 2011, the College reported as cash equivalents at fair value $5,015,546 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 2.13 years at June 30, 2011. 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 SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2011, the College reported as cash equivalents at fair value $74,362 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, 2011, 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 31 days as of June 30, 2011. 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 bonds payable, special termination benefits payable, compensated absences payable, derivative instrument liability, 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, 2011

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 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, 2011, are reported at fair value, as follows:

Investment Type	Amount
State Board of Administration Fund B Surplus Funds Trust Fund	$ 89,813
State Board of Administration Debt Service Accounts	1,175,739
Federal Agency Obligations	15,355,102
Corporate Bonds	995,956
Mutual Funds	648,324
Total College Investments	$ 18,264,934

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, 2011, the College reported investments at fair value of $89,813 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

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

0.78965331 at June 30, 2011. The weighted-average life (WAL) of Fund B at June 30, 2011, was 7.16 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, 2011. 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, 2011, 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, 2011, included $16,351,058 of Federal agency obligations and corporate bonds reported at fair value. The College also had investments at June 30, 2011, totaling $648,324 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 years.

The College utilizes "effective duration" as a measurement of interest rate risk and as of June 30, 2011, the Federal agency obligations had an effective duration of 1.71 years. The College's investments in mutual funds at June 30, 2011, 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 for 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, 2011, were rated between AAA and Aaa by Moody's and Standard & Poor's at June 30, 2011. The College's investments in mutual funds at June 30, 2011, were rated between Baa and Aaa by Moody's and Standard & Poor's at June 30, 2011.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of 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, 2011, 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 attributable 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

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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.

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 finds.

Component Units Investments

Investments held by the Edison State College Foundation, Inc., at March 31, 2011, consisted of money market and mutual funds and are reported at fair value, as follows:

Investment Type	Amount
Money Market Mutual Funds	$ 5,553,290
Mutual Funds:	
Hedge	3,278,650
Equities (1)	18,674,604
Bonds	12,175,506
Total Component Unit Investments	$ 39,682,050

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, 2011, the maturities of the Foundation's fixed-income (mutual funds-bonds) investments of $12,175,506 by percentage of its portfolio, are presented in the following table:

Investment Maturities	Percentage of Portfolio
Less than 1 Year	14.2
1 - 3 years	23.0
3 - 5 years	24.5
5 - 7 years	20.2
7 - 9 years	8.1
9 or more years	10.0
Total	100.0

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.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Credit Risk: It is the Foundation's policy that the investment grade portion of the fixed-income portfolio must 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 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, 2011 were rated as follows:

Rating	Percent of Portfolio
Aaa	68.2
Aa	5.4
A	10.9
Baa	9.9
Other	5.6
Total	100.0

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

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

Concentration of Credit Risk: The Foundation's policies state 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 debt of securities maturity dates.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, and contract and grant reimbursements due from third parties. These receivables are reported net of a $837,331 allowance for doubtful accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the short-term loan program. Notes receivable are reported net of $34,648 allowance for uncollectible notes.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of $9,114,238 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 3,491,190	$	$	$ 3,491,190
Art Collections	292,018	5,725		297,743
Construction in Progress	20,653,621	29,409,069	7,388,061	42,674,629
Total Nondepreciable Capital Assets	$ 24,436,829	$29,414,794	$7,388,061	$ 46,463,562
Depreciable Capital Assets:				
Buildings	$ 120,445,478	$ 7,154,558	$	$ 127,600,036
Other Structures and Improvements	12,325,774	233,502		12,559,276
Furniture, Machinery, and Equipment	6,628,244	1,236,162	303,070	7,561,336
Total Depreciable Capital Assets	139,399,496	8,624,222	303,070	147,720,648
Less, Accumulated Depreciation:				
Buildings	41,574,959	3,770,676		45,345,635
Other Structures and Improvements	7,976,873	452,814		8,429,687
Furniture, Machinery, and Equipment	4,395,944	893,215	303,070	4,986,089
Total Accumulated Depreciation	53,947,776	5,116,705	303,070	58,761,411
Total Depreciable Capital Assets, Net	$ 85,451,720	$ 3,507,517	$	$ 88,959,237

7. 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, 2011, the following amounts related to these contributions were reported as deferred revenue:

Description	Amounts
Contingent Liability	$ 600,000
Irrevocable Charitable Remainder Annuity Trusts	303,655
Pooled Gift Annuity	1,472,102
Life Estate Trust	2,300,000
Total Long-Term Liabilities	$ 4,675,757

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2011, include bonds payable, special termination benefits payable, compensated absences payable, derivative instrument liability, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2011, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 18,335,000	$ 2,177,702	$ 695,000	$ 19,817,702	$ 160,000
Special Termination Benefits Payable	224,968	126,223	155,404	195,787	91,459
Compensated Absences Payable	4,717,766	19,939	178,824	4,558,881	99,133
Derivative Instrument Liability		181,312		181,312	
Other Postemployment Benefits Payable	34,685	33,202	37,053	30,834	
Total Long-Term Liabilities	$ 23,312,419	$ 2,538,378	$ 1,066,281	$ 24,784,516	$ 350,592

Bonds Payable. 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. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and Section 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. The 2010A 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 Series 2010A bonds will share the lien of such additional bonds on the Series 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, 2011:

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Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education			
Capital Outlay Bonds:			
Series 2008A	$ 1,360,000	3.5 - 5.0	2028
Series 2005B	50,000	5.0	2018
Series 2005A, Refunding	395,000	5.0	2017
Series 2005A, New Money	265,000	4.0 - 5.0	2025
Series 2004A	105,000	3.75 - 4.625	2024
Series 2002B	105,000	4.0 - 5.375	2014
Florida Department of Education			
Capital Improvement Revenue Bonds:			
Series 2010A	15,360,000	3.0 - 4.375	2031
Total	$ 17,640,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Capital Outlay Bonds and Capital Improvement Bonds		
	Principal	Interest	Total
2012	$ 160,000	$ 710,877	$ 870,877
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	780,000	609,728	1,389,728
2017-2021	4,060,000	2,596,380	6,656,380
2022-2026	4,905,000	1,690,525	6,595,525
2027-2031	5,465,000	592,329	6,057,329
Total	$ 17,640,000	$ 8,183,997	$ 25,823,997

Bonds Payable – Financing Corporation. On December 1, 2010, the Financing Corporation (Corporation) entered into a Financing Agreement with the Lee County Development Authority to issue a $16,300,000 Industrial Development Revenue Bond for the construction of a 400-bed dormitory. On December 21, 2010, the Corporation closed on the Bond purchased by Branch Banking and Trust Company 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. The BQ provides for draws as construction commences. As of March 31, 2011, the Corporation had drawn $2,177,702.

The following is a schedule of future debt service requirements assuming the total amount of the loan is drawn:

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Fiscal Year Ending	Principal	Interest	Total
2012	$	$	$
2013	11,045	157,811	168,856
2014	44,993	79,856	124,849
2015	46,686	78,153	124,839
2016	48,444	76,386	124,830
2017-2021	270,551	353,442	623,993
2022-2026	325,714	297,977	623,691
2027-2031	391,833	231,496	623,329
2032-2036	471,377	151,516	622,893
2037-2040	567,059	55,310	622,369
Total	$ 2,177,702	$ 1,481,947	$ 3,659,649

Future tenant revenues collected after completion of the construction of the housing complex are pledged first to be used for debt service. There were no rental revenues collected during fiscal year ended March 31, 2011.

The Corporation was required to deposit into a separate account an amount to be used for repayment of interest on the Series 2010A bonds through the construction period. The amount required is recognized in the financial statements as restricted cash. At March 31, 2011, there was $306,729 in restricted cash available for future debt service requirements.

Interest Rate Swap. On December 23, 2010, the Financing Corporation (Corporation), as the counterparty, entered into an interest rate swap agreement (Swap) with Branch Banking and Trust Company for the purpose of hedging its variable interest rate risk on the tax-exempt loan. The Swap provides that the 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.

The Swap agreement has been determined to be an effective hedge. As such, the change in fair value is reported as a deferred outflow, a noncurrent asset reported on the balance sheet. The fair value balances and notional amounts of derivative instruments for the year then ended as reported in the 2011 financial statements are presented below:

Interest Rate Swap	Changes in Fair Value		Fair Value at March 31,2011		Notional
	Classification	Amount	Classification	Amount	Amount
Cash Flow Hedges:					
Pay-fixed Interest Rate Swap	Deferred Outflow	$(181,312)	Deferred Outflow	$(181,312)	$26,300,000

Interest Rate Risk. On its only hedge, a pay-fixed and receive variable interest rate swap, as LIBOR decreases, the Corporation's net payment on the swap increases.

Termination Risk. The Corporation or its counterparty may terminate the swap agreement if the other party fails to perform under the terms of the contract. If at the time of termination, a hedging derivative instrument is in a liability position, the College would be liable to the counterparty for a payment equal to the liability.

Rollover Risk. The Corporation is exposed to rollover risk on this hedging instrument as it is a debt hedge that matures or may be terminated prior to the maturity of the hedged debt. When this instrument terminates, the Corporation will be exposed to the risks being hedged by the instrument.

Special Termination Benefits Payable. On November 16, 1989, the Board approved a Retirement Incentive Program (Program) that established certain eligible 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 salary bonus. The College reported a special termination benefits payable for 13 employees of $195,787 at June 30, 2011, of which $91,459 represents the current portion.

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2011, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $4,558,881. The current portion of the compensated absences liability of $99,133 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 Deferred Retirement Option Program participants to a deferred compensation annuity program.

Other Postemployment Benefits Payable. The College follows GASB 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 (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 Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to

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enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issue a 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. The Board of Trustees can amend plan 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 plan is financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 75 retirees received postemployment healthcare benefits, and 89 retirees received postemployment life insurance benefits. The College provided required contributions of $37,053 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 $341,990.

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 GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the College's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 20,779
Amortization of Unfunded Actuarial Accrued Liability	12,404
Annual Required Contribution	33,183
Interest on Net OPEB Obligation	1,041
Adjustment to Annual Required Contribution	(1,022)
Annual OPEB Cost (Expense)	33,202
Contribution Toward the OPEB Cost	37,053
Decrease in Net OPEB Obligation	(3,851)
Net OPEB Obligation, Beginning of Year	34,685
Net OPEB Obligation, End of Year	$ 30,834

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, 2011, and for the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	$ 22,783	0.0%	$ 41,379
2009-10	33,206	120.0%	34,685
2010-11	33,202	112.0%	30,834

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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 $30,493,337 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The College's 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, 2011, and the College's 2010-11 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 7.8 percent for the 2010-11 fiscal year, reduced by decrements to an ultimate rate of 4.5 percent after 17 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, 2011, was 26 years.

9. 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

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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, death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in 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 2010-11 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Senior Management Service	0.00	14.57
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
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 0.03 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, 2009, June 30, 2010, and June 30, 2011, totaled $1,487,906, $1,640,410, and $1,909,135, 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

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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 206 College participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled $795,176.

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

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

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

There were 40 College participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled $271,086.

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 2010-11 fiscal year, there were five Plan participants, and the College contributed $125,584 to the Local Annuity Plan.

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10. 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 $419,663 in salaries for 20 employees during fiscal year 2010-11 for the other termination benefits.

11. SAVINGS INCENTIVE PLAN

Effective January 1, 1994, the Board approved the adoption of a Savings Incentive Plan as provided by Section 403(b) of the Internal Revenue Code of 1986. Under the Plan, all full-time employees can elect to defer a portion of their salary within Internal Revenue Service guidelines. The College may make a matching employer contribution in an amount to be determined annually by the Board at its discretion. During the 2010-11 fiscal year, the College matched one dollar for every dollar up to the first 3 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 2010-11 fiscal year, the College contributed $483,817 as matching funds under the Plan.

12. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2011, are as follows:

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Project Description	Total Commitment	Completed to Date	Balance Committed
Collegiate High School - Lee Campus			
Construction	$ 2,404,298	$ 2,284,083	$ 120,215
Architect	307,330	288,547	18,783
Direct Materials	405,355	295,662	109,693
New Classroom Bldg - Lee Campus			
Construction	7,669,859	5,725,861	1,943,998
Architect	845,800	758,664	87,136
Direct Materials	2,096,361	1,822,495	273,866
Student Housing - Lee Campus			
Construction	17,058,778	1,543,478	15,515,300
Architect	1,037,600	963,360	74,240
Direct Materials	1,141,906	12,743	1,129,163
Nursing Building - Lee Campus			
Construction	10,781,133	10,567,703	213,430
Architect	1,354,110	1,337,553	16,557
Direct Materials	2,297,750	1,221,630	1,076,120
Student Services Bldg - Collier Campus			
Construction	3,488,845	2,363,857	1,124,988
Architect	369,050	339,973	29,077
Direct Materials	231,674	189,423	42,251
Allied Health Building - Collier Campus			
Construction	7,531,473	3,058,896	4,472,577
Architect	1,369,146	1,252,902	116,244
Direct Materials	2,017,816	1,457,017	560,799
Total	$ 62,408,284	$ 35,483,847	$ 26,924,437

13. OPERATING LEASE COMMITMENTS

The College rents office equipment and computers under operating leases, which expire on various dates through the year 2015. 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:

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JUNE 30, 2011

Fiscal Year Ending June 30	Amount
2012	$ 349,116
2013	130,423
2014	95,687
2015	17,467
Total Minimum Payments Required	$ 592,693

14. 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 community 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 $150 million. Insurance coverage obtained through the Consortium included health and hospitalization, dental, life, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

15. 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:

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Source	Amount
College Program Fund	$ 21,929,243
Gross Receipts Tax (Public Education Capital Outlay)	12,140,352
Education Enhancement Trust Fund (Lottery)	3,117,833
Bright Futures Scholarship Program	2,131,864
Florida Education Finance Program	1,497,018
Florida Student Assistance Grants	806,278
Motor Vehicle License Tax (Capital Outlay and Debt Service)	401,200
Other State Sources	915,712
Total	$ 42,939,500

16. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

Functional Classification	Amount
Instruction	$ 28,228,951
Public Service	452,628
Academic Support	7,349,488
Student Services	7,295,790
Institutional Support	15,324,751
Operation and Maintenance of Plant	10,369,325
Scholarships and Fellowships	10,935,301
Depreciation	5,116,705
Auxiliary Enterprises	1,049,469
Total Operating Expenses	$ 86,122,408

EDISON STATE COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (1) (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%

Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate actuarial accrued liability.

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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, 2011, 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, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to College management in our operational audit report No. 2012-024.

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
February 7, 2012