REPORT NO. 2013-152
MARCH 2013

EDISON STATE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2012

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and Presidents who served during the 2011-12 fiscal year are listed below:

Notes: (1) Board member resigned on December 13, 2011, and position remained vacant until filled on February 21, 2012.
(2) Board member resigned on April 17, 2012, and position remained vacant through June 30, 2012.

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 Manuel R. Martin Ventura, 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
TABLE OF CONTENTS

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, 2012. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

PHONE: 850-488-5534
FAX: 850-488-6975

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, 2012, 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 blended and discretely presented component units, as described in note 1 to the financial statements. The financial statements for the blended component unit represent 12.8 percent of the total assets, and 46.1 percent of the total liabilities, reported for Edison State College. The financial statements of the discretely presented component unit 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 reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended and discretely presented component units, is based on the reports 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 reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports 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, 2012, 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**, **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, and **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, 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, CPA
March 20, 2013

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, 2012, 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 $201.2 million at June 30, 2012. This balance reflects a $10 million, or 5.2 percent, increase as compared to the 2010-11 fiscal year, mainly due an increase in net capital assets. Liabilities totaled $42.1 million at June 30, 2012, which reflects an increase of $9 million, or 27.2 percent, as compared to the prior fiscal year, primarily due to additional funds drawn on a bond issued by the Edison State College Financing Corporation, a blended component unit of the College. As a result, the College's net assets increased by $1 million, reaching a year-end balance of $159.1 million.

The College's operating revenues totaled $29.1 million for the 2011-12 fiscal year, representing a 14.9 percent increase over the 2010-11 fiscal year due mainly to an increase in auxiliary enterprises and student tuition and fees. Operating expenses totaled $92.9 million for the 2011-12 fiscal year, representing an increase of 7.9 percent over the 2010-11 fiscal year primarily due to an increase in scholarships and waivers, other services and expenses, materials and supplies, and depreciation.

OVERVIEW OF FINANCIAL STATEMENTS

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

- Edison State College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Edison State College Foundation, Inc. (Discretely Presented Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida. The Foundation's fiscal year is from April 1st through March 31st. As a result, the Foundation's financial activities presented in the MD&A and accompanying financial statements are for the fiscal years ended March 31, 2012, and 2011, 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 fiscal years ended March 31, 2012, and 2011, respectively.

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

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

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

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year'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 for the College and its discretely presented component unit for the respective periods ended is shown in the following table:

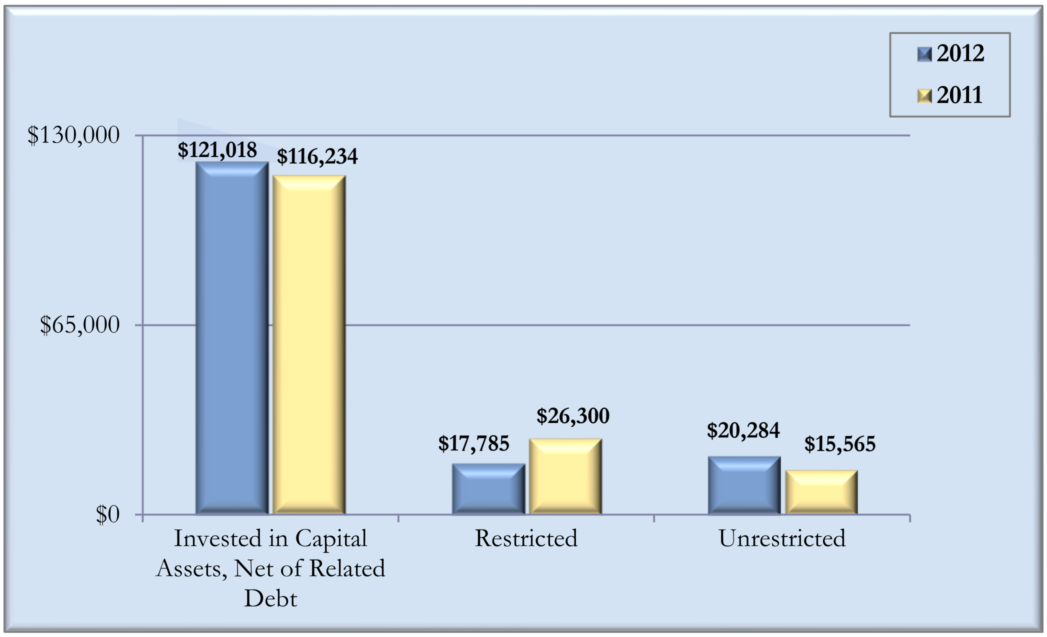
Condensed Statement of Net Assets at
(In Thousands)

	College			Component Unit		
	6-30-12		6-30-11	3-31-12		3-31-11
Assets						
Current Assets	$ 18,765		$ 33,277	$ 433		$ 1,103
Capital Assets, Net	153,277		135,422			37
Other Noncurrent Assets	29,124		22,474	45,767		47,074
Total Assets	201,166		191,173	46,200		48,214
Liabilities						
Current Liabilities	6,025		8,640	4,850		4,761
Noncurrent Liabilities	36,054		24,434			1,126
Total Liabilities	42,079		33,074	4,850		5,887
Net Assets						
Invested in Capital Assets, Net of Related Debt	121,018		116,234			(1)
Restricted	17,785		26,300	36,819		38,066
Unrestricted	20,284		15,565	4,531		4,262
Total Net Assets	$ 159,087		$ 158,099	$ 41,350		$ 42,327
Increase (Decrease) in Net Assets	$ 988	0.6%		$ (977)	-2.3%	

Net assets represent the residual interest in the College's assets after deducting liabilities. Current assets decreased primarily due to decreases in restricted cash and cash equivalents and due from other governmental agencies. Restricted cash and cash equivalents decreased due to completion of construction projects and due from other governmental agencies decreased due to receipt of Public Education Capital Outlay (PECO) funding.

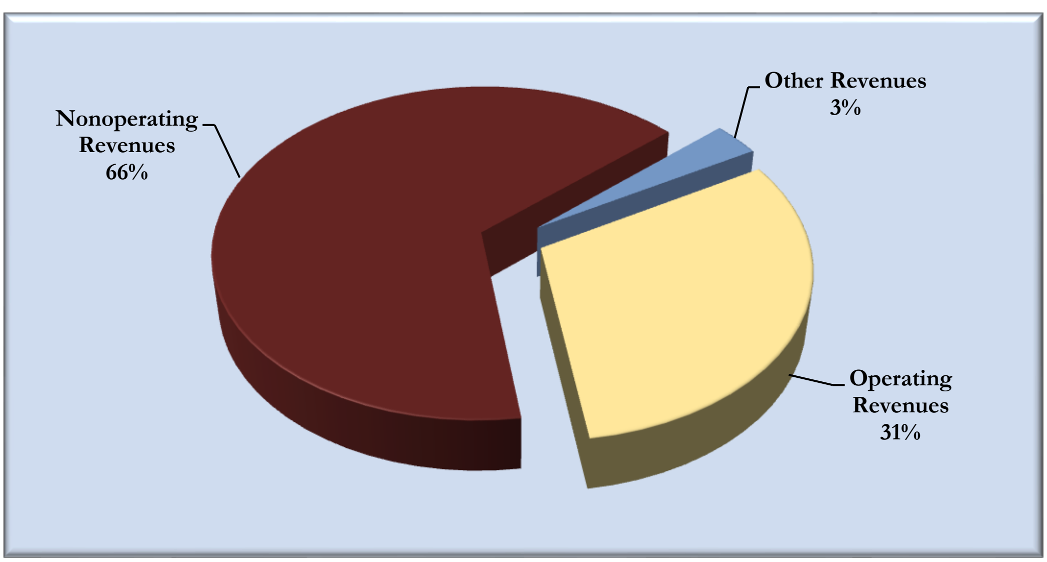
The College's comparative total net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following graph:

Net Assets: College
(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2011-12 fiscal year:

Total Revenues: College



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

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

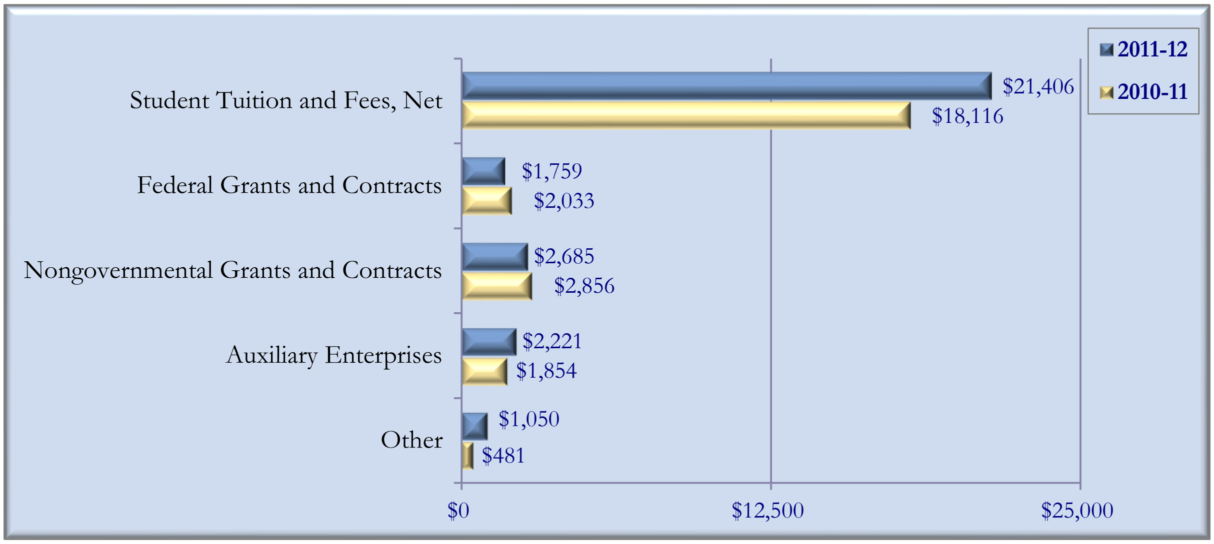
	College		Component Unit	
	6-30-12	6-30-11	3-31-12	3-31-11
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	$ 21,406	$ 18,116	$	$
Federal Grants and Contracts	1,759	2,033		
Nongovernmental Grants and Contracts	2,685	2,856	2,241	961
Auxiliary Enterprises	2,221	1,854		
Other Operating Revenues	1,050	481	26	26
Total Operating Revenues	29,121	25,340	2,267	987
Less, Operating Expenses	92,917	86,122	4,984	3,510
Operating Loss	(63,796)	(60,782)	(2,717)	(2,523)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	27,924	27,224		
Federal and State Student Financial Aid	32,966	29,403		
Other Nonoperating Revenues	1,593	3,863	1,173	3,756
Nonoperating Expenses	(703)	(751)		
Net Nonoperating Revenues	61,780	59,739	1,173	3,756
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,016)	(1,043)	(1,544)	1,233
Capital Appropriations	1,265	12,535		
Capital Grants, Contracts, Gifts, and Fees	1,739	1,260		
Increases to Permanent Endowment			567	304
Increase (Decrease) in Net Assets	988	12,752	(977)	1,537
Net Assets, Beginning of Year	158,099	145,347	42,327	40,790
Net Assets, End of Year	$ 159,087	$ 158,099	$ 41,350	$ 42,327

OPERATING REVENUES

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

The following chart presents the College's operating revenues for the 2011-12 and 2010-11 fiscal years:

Operating Revenues: College
(In Thousands)



College operating revenues increased by approximately $3.8 million primarily due to increases in student tuition and fees, net of scholarship allowances, generated by tuition and fee rate increases. Auxiliary enterprises included increases in food service sales and rents charged for the use of facilities.

OPERATING EXPENSES

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

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

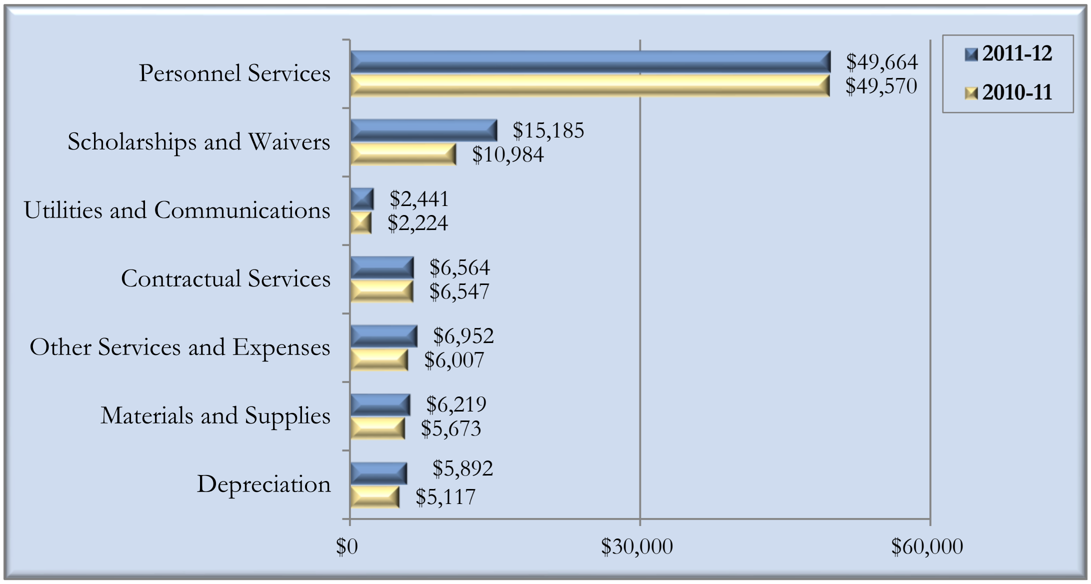
Operating Expenses for the Fiscal Years Ended
(In Thousands)

	College		Component Unit	
	6-30-12	6-30-11	3-31-12	3-31-11
Operating Expenses				
Personnel Services	$ 49,664	$ 49,570	$	$
Scholarships and Waivers	15,185	10,984	2,184	2,347
Utilities and Communications	2,441	2,224		
Contractual Services	6,564	6,547	1,948	423
Other Services and Expenses	6,952	6,007	842	728
Materials and Supplies	6,219	5,673		
Depreciation	5,892	5,117	10	12
Total Operating Expenses	$ 92,917	$ 86,122	$ 4,984	$ 3,510

Operating expense changes were primarily the result of an increase in scholarships and waivers due to an increase in student tuition and fee rates. Other services and expenses increased primarily due to travel, rental expenses, materials and supplies, and other expenses. Depreciation expense increased primarily due to the completion and addition of new buildings over the last fiscal year.

The following chart presents the College's expenses for the 2011-12 and 2010-11 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 noncapital appropriations, Federal and State student financial aid, 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 2011-12 and 2010-11 fiscal years:

Nonoperating Revenues (Expenses): College
(In Thousands)

	2011-12	2010-11
State Noncapital Appropriations	$ 27,924	$ 27,224
Federal and State Student Financial Aid	32,966	29,403
Gifts and Grants	409	3,044
Investment Income	390	791
Other Nonoperating Revenue	794	28
Interest on Capital Asset-Related Debt	(703)	(751)
Net Nonoperating Revenues	$ 61,780	$ 59,739

Changes in nonoperating revenues were primarily due to increases in Federal and State student financial aid. Tuition rates increased, thereby creating an increase in student need, which was met by the Federal Pell Grant Program. The Federal Pell Grant Program revenues, which amounted to $30.4 million for the fiscal year 2011-12, increased by 18 percent, or $3.6 million, over the prior fiscal year.

OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

This category is comprised 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 2011-12 and 2010-11 fiscal years:

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

	2011-12	2010-11
State Capital Appropriations	$ 1,265	$ 12,535
Capital Grants, Contracts, Gifts, and Fees	1,739	1,260
Total	$ 3,004	$ 13,795

The $11.3 million decrease in State capital appropriations is primarily due to a decrease in the State's PECO funding.

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 2011-12 and 2010-11 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College
(In Thousands)

	2011-12	2010-11
Cash Provided (Used) by:		
Operating Activities	$ (62,212)	$ (52,294)
Noncapital Financing Activities	62,093	59,702
Capital and Related Financing Activities	(2,981)	(19,102)
Investing Activities	(965)	4,737
Net Decrease in Cash and Cash Equivalents	(4,065)	(6,957)
Cash and Cash Equivalents, Beginning of Year	21,192	28,149
Cash and Cash Equivalents, End of Year	$ 17,127	$ 21,192

The College's cash inflows from operating activities were primarily provided by tuition and fees ($21.9 million). Cash outflows from operating activities were primarily for payments for employee wages and benefits ($50.7 million), payments to suppliers for goods and services ($23.4 million), and payments for scholarships ($15.2 million).

Cash provided by noncapital financing activities increased $2.4 million from the previous fiscal year. State noncapital appropriations ($27.9 million), Federal and State student financial aid ($33 million), and Federal direct student loan funds ($29.9 million) are the primary sources of noncapital financing inflows. The increased cash flows from Federal and State student financial aid are primarily due to additional funding in the Federal Pell Grant Program. Federal direct student loan disbursements ($29.9 million) are attributed to the outflow.

Cash provided by capital and related financing activities include proceeds from drawing down funds from bonds issued by the Edison State College Financing Corporation ($12.6 million) and funding received under the Public Education Capital Outlay appropriation ($8.2 million). The purchase of capital assets ($24.2 million) was the primary cash outflow from capital and related financing activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the College had $217.7 million invested in capital assets, less accumulated depreciation of $64.4 million, for net capital assets of $153.3 million. Depreciation charges for the current fiscal year totaled $5.9 million. The following table summarizes the College's capital assets for the 2011-12 fiscal year.

Capital Assets: College
(In Thousands)

Capital Assets	2012	2011
Land	$ 3,491	$ 3,491
Art Collections	297	297
Construction in Progress	16,275	42,675
Buildings	176,382	127,600
Other Structures and Improvements	12,606	12,559
Furniture, Machinery, and Equipment	8,602	7,561
Total	217,653	194,183
Less, Accumulated Depreciation:		
Buildings	49,351	45,346
Other Structures and Improvements	9,300	8,429
Furniture, Machinery, and Equipment	5,725	4,986
Total Accumulated Depreciation	64,376	58,761
Capital Assets, Net	$ 153,277	$ 135,422

Major capital projects completed during the 2011-12 fiscal year included the Lee Campus - Nursing Building for $14.3 million, the Collier Campus - Allied Health Building for $12.5 million, the Collier Campus - Student Services Building for $4.1 million, the Lee Campus - Building "T" addition for $3.1 million, the Lee Campus - Building "U" for $11 million, and other college-wide remodeling and renovation projects.

The College had $3.3 million in construction commitments at June 30, 2012. The commitments are for the student housing project for the Lee Campus. More information about the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At June 30, 2012, the College had $31.7 million in outstanding bonds payable, comprised primarily of the State of Florida Department of Education Capital Improvement Revenue Bonds (Revenue Bonds) issued on behalf of the College with outstanding balances totaling $14.8 million and the Student Housing Bank Qualified Bonds issued by the Edison State College Financing Corporation, also with an outstanding balance of $14.8 million. The Revenue Bonds mature serially and are secured by the College's capital improvement fees. The College also holds $2.1 million in outstanding State Board of Education (SBE) Capital Outlay Bonds issued on behalf of the College. These bonds mature serially and are secured by the College's portion of the State assessed motor vehicle license tax. Proceeds from these bonds are to be used to construct and renovate College facilities. More detailed information about the College's long-term liabilities is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Edison State College's economic condition is closely tied to that of the State of Florida and the southwest Florida region. Due to the current economic downturn the State has had to decrease the amounts appropriated for colleges. State appropriations comprised approximately 41 percent of total unrestricted general revenue. 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 financial statements and notes thereto, or requests for additional financial information should be addressed to Gina Doeble, CPA, Vice President of Financial Services, Edison State College, 8099 College Parkway, Fort Myers, Florida 33919.

BASIC FINANCIAL STATEMENTS

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2012

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 6,620,477	$ 365,997
Restricted Cash and Cash Equivalents	2,587,877	16,902
Restricted Investments	763,147	
Accounts Receivable, Net	4,506,514	50,575
Notes Receivable, Net	193,737	
Due from Other Governmental Agencies	3,745,191	
Prepaid Expenses	347,660	
Total Current Assets	18,764,603	433,474
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	7,918,895	
Investments	12,409,492	
Restricted Investments	6,447,381	39,948,119
Depreciable Capital Assets, Net	133,212,640	
Nondepreciable Capital Assets	20,064,238	
Deferred Outflow of Resources	2,045,346	
Other Assets	303,314	5,818,294
Total Noncurrent Assets	182,401,306	45,766,413
TOTAL ASSETS	$ 201,165,909	$ 46,199,887
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 2,972,708	$ 160,368
Salary and Payroll Taxes Payable	918,263	
Retainage Payable	868,523	
Deferred Revenue		3,589,839
Deposits Held for Others	118,256	
Long-Term Liabilities - Current Portion:		
Bonds Payable	893,389	
Notes Payable		1,100,000
Special Termination Benefits Payable	109,096	
Compensated Absences Payable	144,655	
Total Current Liabilities	6,024,890	4,850,207
Noncurrent Liabilities:		
Bonds Payable	30,824,537	
Derivative Instrument Liability	2,045,346	
Special Termination Benefits Payable	175,214	
Compensated Absences Payable	2,923,750	
Other Postemployment Benefits Payable	85,597	
Total Noncurrent Liabilities	36,054,444	
TOTAL LIABILITIES	42,079,334	4,850,207

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2012

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 121,018,249	$
Restricted:		
Nonexpendable:		
Endowment	698,161	24,921,035
Expendable:		
Grants and Loans	1,579,645	
Scholarships	1,459,747	11,897,576
Capital Projects	13,975,697	
Debt Service	70,868	
Unrestricted	20,284,208	4,531,069
Total Net Assets	159,086,575	41,349,680
TOTAL LIABILITIES AND NET ASSETS	$ 201,165,909	$ 46,199,887

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, 2012

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $20,461,166	$ 21,405,815	$
Federal Grants and Contracts	1,759,318	
Nongovernmental Grants and Contracts	2,684,736	2,241,026
Auxiliary Enterprises	2,221,233	
Other Operating Revenues	1,050,095	26,000
Total Operating Revenues	29,121,197	2,267,026
EXPENSES		
Operating Expenses:		
Personnel Services	49,664,299	
Scholarships and Waivers	15,185,080	2,184,275
Utilities and Communications	2,441,531	
Contractual Services	6,564,033	1,948,038
Other Services and Expenses	6,951,697	841,420
Materials and Supplies	6,219,340	
Depreciation	5,891,622	10,073
Total Operating Expenses	92,917,602	4,983,806
Operating Loss	(63,796,405)	(2,716,780)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	27,923,822	
Federal and State Student Financial Aid	32,966,216	
Gifts and Grants	408,550	
Investment Income	390,146	1,017,332
Other Nonoperating Revenues	794,398	155,155
Interest on Capital Asset-Related Debt	(702,778)	
Net Nonoperating Revenues (Expenses)	61,780,354	1,172,487
Loss Before Other Revenues, Expenses, Gains, or Losses	(2,016,051)	(1,544,293)
State Capital Appropriations	1,265,061	
Capital Grants, Contracts, Gifts, and Fees	1,738,527	
Increase to Permanent Endowments		567,267
Total Other Revenues	3,003,588	567,267
Increase (Decrease) in Net Assets	987,537	(977,026)
Net Assets, Beginning of Year	158,099,038	42,326,706
Net Assets, End of Year	$ 159,086,575	$ 41,349,680

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, 2012

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 21,862,156
Grants and Contracts	4,444,054
Payments to Suppliers	(23,422,635)
Payments for Utilities and Communications	(2,441,531)
Payments to Employees	(41,605,711)
Payments for Employee Benefits	(9,076,612)
Payments for Scholarships	(15,185,080)
Loans Issued to Students	(534,697)
Collection on Loans to Students	465,557
Auxiliary Enterprises	2,221,233
Other Receipts	1,060,819
Net Cash Used by Operating Activities	(62,212,447)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	27,923,822
Federal and State Student Financial Aid	32,966,216
Gifts and Grants	408,550
Federal Direct Loan Program Receipts	29,930,135
Federal Direct Loan Program Disbursements	(29,930,135)
Other Nonoperating Receipts	794,398
Net Cash Provided by Noncapital Financing Activities	62,092,986
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	12,645,224
State Capital Appropriations	8,237,769
Capital Grants and Gifts	1,738,527
Purchases of Capital Assets	(24,159,576)
Principal Paid on Capital Debt and Leases	(740,000)
Interest Paid on Capital Debt and Leases	(702,778)
Net Cash Used by Capital and Related Financing Activities	(2,980,834)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	340,340
Purchase of Investments	(1,715,224)
Investment Income	409,944
Net Cash Used by Investing Activities	(964,940)
Net Decrease in Cash and Cash Equivalents	(4,065,235)
Cash and Cash Equivalents, Beginning of Year	21,192,484
Cash and Cash Equivalents, End of Year	$ 17,127,249

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2012

		College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$	(63,796,405)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		5,891,622
Changes in Assets and Liabilities:		
Receivables, Net		467,065
Due From Other Governmental Agencies		95,595
Prepaid Expenses		(180,128)
Accounts Payable		(3,741,312)
Salaries and Payroll Taxes Payable		227,433
Deposits Held for Others		101,733
Loans to Students		69,140
Compensated Absences Payable		(1,490,476)
Special Termination Benefits Payable		88,523
Other Postemployment Benefits Payable		54,763
NET CASH USED BY OPERATING ACTIVITIES	$	(62,212,447)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	$	(19,798)
Losses from the disposal of capital assets were recognized as a reduction to other nonoperating revenues on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	$	(1,757)
The State Board of Education issued $65,000 Capital Outlay Bonds, Series 2011A, to refund $70,000 Capital Outlay Bonds, Series 2002B. The new debt and defeasance of the old debt were recorded as an increase and a decrease, respectively, to bonds payable on the statement of net assets; however, because the proceeds of the new debt were immediately placed into an irrevocable trust for the defeasance of the 2002B debt, these transactions are not cash transactions for the statement of cash flows.	$	5,000

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, 2012

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, 2012.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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 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 after

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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 noncapital 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 the State Board of Administration (SBA) Florida Prime investment pools. 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 the SPIA and the SBA Florida PRIME investment pools 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, 2012

At June 30, 2012, the College reported as cash equivalents at fair value $41,207 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's and had an effective duration of 2.38 years at June 30, 2012. 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, 2012, the College reported as cash equivalents $63,545 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, 2012, 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 38 days as of June 30, 2012. 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, derivative instrument liability, special termination benefits payable, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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 (SBA); 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 (SBE) 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, 2012, are reported at fair value, as follows:

Investment Type	Amount
SBA Fund B Surplus Funds Trust Fund	$ 78,947
SBA Debt Service Accounts	1,938,886
Federal Agency Obligations	16,307,179
Mutual Funds	692,928
Corporate Bonds	602,080
Total College Investments	$ 19,620,020

State Board of Administration Fund B Surplus Funds Trust Fund

SBA Fund B Surplus Funds Trust Fund (Fund B) is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, and 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 on December 4, 2007. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

At June 30, 2012, the College reported investments at fair value of $78,947 in Fund B. The College's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. The weighted-average life (WAL) of Fund B at June 30, 2012, was 5.73 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, 2012. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

State Board of Administration Debt Service Accounts

The College reported investments totaling $1,938,886 at June 30, 2012, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE 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 SBA 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, 2012, totaling $16,909,259 consisted of Federal agency obligations and corporate bonds reported at fair value. The College also had investments at June 30, 2012, totaling $692,928 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, 2012, the Federal agency obligations had an effective duration of 1.85 years. The College's investments in mutual funds at June 30, 2012, 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, 2012, were rated between AA+ and Aaa by Standard & Poor's and Moody's at June 30, 2012. The College's investments in mutual funds at June 30, 2012, were rated between Baa and Aaa by Standard & Poor's and Moody's at June 30, 2012.

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 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 securities, with the exception of certificates of deposits, 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

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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, 2012, 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 Florida PRIME investment pool administered by the SBA, 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 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 policy limits investments to United States 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 or guaranteed by the Federal Deposit Insurance Corporation (FDIC); the Public Security Act of the State of Florida, Chapter 280, Florida Statutes; or any other government agency. Although the Fund seeks to preserve the value of the investment at $1 per share, it is possible to lose principal by investing in the Fund. The Financing Corporation has not experienced any losses on this account.

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

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Component Unit Investments

Investments held by the Edison State College Foundation, Inc., at March 31, 2012, consisted of money market and mutual funds and are reported at fair value, as follows:

Investment Type	Amount
Money Market Mutual Funds	$ 1,545,441
Mutual Funds:	
Hedge	5,939,537
Equities (1)	18,466,563
Bonds	13,996,578
Total Component Unit Investments	$ 39,948,119

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, 2012, the maturities of the Foundation's mutual funds-bonds investments of $13,996,578 by percentage of its portfolio, are presented in the following table:

Investment Maturities	Percentage of Portfolio
Less Than 1 Year	20.64
1 - 3 Years	22.98
4 - 5 Years	26.05
5 - 7 Years	10.47
7 - 9 Years	8.07
9 or More Years	11.79
Total	100.00

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

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

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

The Foundation's fixed-income investments at March 31, 2012 were rated as follows:

Rating	Percent of Portfolio
Aaa	65.51
Aa	5.04
A	13.03
Baa	11.58
Other	4.84
Total	100.00

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, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a $923,694 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 a $12,409 allowance for doubtful notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This primarily amount consists of $1,816,909 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 3,491,190	$	$	$ 3,491,190
Art Collections	297,743			297,743
Construction in Progress	42,674,629	23,589,627	49,988,951	16,275,305
Total Nondepreciable Capital Assets	$ 46,463,562	$ 23,589,627	$ 49,988,951	$ 20,064,238
Depreciable Capital Assets:				
Buildings	$ 127,600,036	$ 48,781,478	$	$ 176,381,514
Other Structures and Improvements	12,559,276	46,479		12,605,755
Furniture, Machinery, and Equipment	7,561,336	1,318,825	278,528	8,601,633
Total Depreciable Capital Assets	147,720,648	50,146,782	278,528	197,588,902
Less, Accumulated Depreciation:				
Buildings	45,345,635	4,005,471		49,351,106
Other Structures and Improvements	8,429,687	870,010		9,299,697
Furniture, Machinery, and Equipment	4,986,089	1,016,141	276,771	5,725,459
Total Accumulated Depreciation	58,761,411	5,891,622	276,771	64,376,262
Total Depreciable Capital Assets, Net	$ 88,959,237	$ 44,255,160	$ 1,757	$ 133,212,640

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, 2012, the following amounts related to these contributions were reported as deferred revenue:

Description	Amount
Irrevocable Charitable Remainder Annuity Trust	$ 199,489
Pooled Gift Annuity	1,090,350
Life Estate Trust	2,300,000
Total Deferred Revenue	$ 3,589,839

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2012, include bonds payable, derivative instrument liability, special termination benefits payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2012, is shown below:

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 19,817,702	$ 12,710,224	$ 810,000	$ 31,717,926	$ 893,389
Derivative Instrument Liability	181,312	1,864,034		2,045,346	
Special Termination Benefits Payable	195,787	171,893	83,370	284,310	109,096
Compensated Absences Payable	4,558,881	29,658	1,520,134	3,068,405	144,655
Other Postemployment Benefits Payable	30,834	91,932	37,169	85,597	
Total Long-Term Liabilities	$ 24,784,516	$ 14,867,741	$ 2,450,673	$ 37,201,584	$ 1,147,140

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 (SBE) Capital Outlay Bonds. The SBE 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 SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.
- 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 Series 2010A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2010A bonds. The Series 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, 2012:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2011A, Refunding	$ 65,000	4.0 - 5.0	2014
Series 2008A	1,320,000	3.5 - 5.0	2028
Series 2005B	45,000	5.0	2018
Series 2005A, Refunding	335,000	5.0	2017
Series 2005A, New Money	250,000	4.0 - 5.0	2025
Series 2004A	100,000	4.0 - 4.625	2024
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2010A	14,780,000	3.0 - 4.375	2031
Total	$ 16,895,000		

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2013	$ 760,000	$ 667,902	$ 1,427,902
2014	780,000	649,203	1,429,203
2015	775,000	616,927	1,391,927
2016	800,000	590,527	1,390,527
2017	815,000	559,927	1,374,927
2018-2022	4,315,000	2,281,927	6,596,927
2023-2027	5,265,000	1,304,858	6,569,858
2028-2031	3,385,000	220,421	3,605,421
Total	$ 16,895,000	$ 6,891,692	$ 23,786,692

Refunded Debt. On January 5, 2012, the SBE issued $53,785,000 of SBE Capital Outlay Bonds, Series 2011A. A portion of the bonds were used to advance refund $28,990,000 of SBE Capital Outlay Bonds, Series 2002B, that were called for redemption on January 6, 2012. The College's portion of the Series 2011A bonds totaled $65,000 and was used to refund $70,000 of the Series 2002B bonds. As a result of the refunding, the College had a debt service savings of $675 and an economic game of $5,334.

Bonds Payable – Financing Corporation. On December 1, 2010, the Edison State College Financing Corporation (Corporation) entered into a Financing Agreement with the Lee County Development Authority to issue a $26,300,000 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, 2012, the Corporation had drawn $14,822,926.

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

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Fiscal Year Ending June 30	LCDA Industrial Development Revenue Bond Principal	Interest	Total
2013	$ 133,389	$ 591,061	$ 724,450
2014	543,377	959,158	1,502,535
2015	563,830	938,705	1,502,535
2016	585,053	917,482	1,502,535
2017	604,534	898,001	1,502,535
2018-2022	3,392,963	4,119,713	7,512,676
2023-2027	4,081,701	3,430,974	7,512,675
2028-2032	4,910,274	2,602,401	7,512,675
2033-2037	5,906,381	1,606,295	7,512,676
2038-2041	5,578,498	431,644	6,010,142
Total	$ 26,300,000	$ 16,495,434	$ 42,795,434

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 the fiscal year ended March 31, 2012.

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, 2012, there was $222,447 in restricted cash available for future debt service requirements.

Interest Rate Swap Agreement. 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 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 statement of net assets. The fair value balances and notional amounts of derivative instruments for the fiscal year then ended March 31, 2012, as reported in the financial statements are presented below:

Interest Rate Swap	Changes in Fair Value		Fair Value at March 31, 2012		Notional
	Classification	Amount	Classification	Amount	Amount
Cash Flow Hedges:					
Pay-Fixed Interest Rate Swap	Deferred Outflow	$ (2,045,346)	Deferred Outflow	$ (2,045,346)	$ 26,300,000

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

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Termination Risk. The Corporation or its counterparty may terminate the Swap 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 eligibility guidelines for employees to receive benefits under this Program. For qualifying employees, the Program provides payment of 50 percent of the cost of hospitalization and life insurance coverage for a period of 36 calendar months after the effective date of separation; payment for 50 percent of accumulated sick leave for the first 10 years of creditable service, plus an additional 2.5 percent of accumulated sick leave for each year of creditable service beyond 10 years to a maximum of 20 additional years; and a one-time only salary bonus. The College reported a special termination benefits payable for 12 employees of $284,310 at June 30, 2012, of which $109,096 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 noncapital 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, 2012, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $3,068,405. The current portion of the compensated absences liability of $144,655 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 Other Than Pensions*, for other postemployment benefits administered by the Florida Community College Risk Management Consortium (Consortium).

Plan Description. The College contributes to an agent, multiple-employer, defined-benefit plan administered by the Consortium for postemployment benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the Consortium's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. Neither the College nor the Consortium issue a

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

stand-alone report for the Plan and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend 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 2011-12 fiscal year, 61 retirees received postemployment healthcare benefits and 2 retirees received postemployment life insurance benefits. The College provided required contributions of $37,169 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $397,389.

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)	$ 72,392
Amortization of Unfunded Actuarial Accrued Liability	19,335
Annual Required Contribution	91,727
Interest on Net OPEB Obligation	1,233
Adjustment to Annual Required Contribution	(1,028)
Annual OPEB Cost (Expense)	91,932
Contribution Toward the OPEB Cost	37,169
Increase in Net OPEB Obligation	54,763
Net OPEB Obligation, Beginning of Year	30,834
Net OPEB Obligation, End of Year	$ 85,597

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, 2012, and for the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	$ 33,206	120.2%	$ 34,685
2010-11	33,202	111.6%	30,834
2011-12	91,932	40.4%	85,597

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Funded Status and Funding Progress. As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was $580,062 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $580,062 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $25,052,174 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.3 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 the Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The College's OPEB actuarial valuation as of July 1, 2011, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2012, and the College's 2011-12 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 4 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 10.5 percent pre-Medicare and 8.5 percent Medicare for the 2011-12 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 7 years for pre-Medicare and 6 years for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over 30 years on an open basis. The remaining amortization period at June 30, 2012, was 25 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 the 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. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Florida Retirement System Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans may include up to 4 years of credit for military service toward creditable 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.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Senior Management Service	3.00	6.27
Florida Retirement System, Special Risk	3.00	14.10
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
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 Investment Plan.

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

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions including employee contributions for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled $1,640,410, $1,909,135, and $1,365,094, respectively, which were equal to the required contributions for each fiscal year.

There were 218 College participants in the Investment Plan during the 2011-12 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled $636,858, which was equal to the required contribution for the 2011-12 fiscal year.

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, 7.92 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 52 College participants during the 2011-12 fiscal year. The College's contributions to the Program totaled $262,209 and employee contributions totaled $99,508 for the 2011-12 fiscal year.

Senior Management Service Class Local Annuity Program. Section 1012.055, Florida Statutes, and Florida Retirement Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the FRS, Senior Management Service Class, may elect to withdraw from the FRS and participate in a local annuity program. Pursuant thereto, the College, established the Senior Management Service Class Local Annuity Program (Local Annuity Program). Employees in the eligible positions are allowed to make an irrevocable election to participate in the Local Annuity Program, rather than the FRS.

The Local Annuity Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. College employees in eligible positions make an irrevocable election to participate in the Local Annuity Program in lieu of the Senior Management Service Class of the FRS, and purchase retirement and death benefits through contracts with participating provider companies. The College contributes 14 percent of the employee's salary. Additionally, the employee may contribute, by salary reduction, an additional amount not to exceed the percentage contributed by the College. These contributions are invested in the companies selected by the employee to create a fund for the purchase of annuities at retirement.

As of June 30, 2012, four College employees opted to participate in the Local Annuity Program. The College's contributions to the Local Annuity Program totaled $80,927 for the 2011-12 fiscal year.

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 $652,851 in salaries for 36 employees during fiscal year 2011-12 for the other termination benefits.

11. SAVINGS INCENTIVE PLAN

Effective January 1, 1994, the Board approved 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 2011-12 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 2011-12 fiscal year, the College contributed $307,561 as matching funds under the Plan.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

12. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2012, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Student Housing - Lee Campus:			
Construction	$ 14,754,792	$ 13,328,943	$ 1,425,849
Architect	1,037,600	1,037,600	
Direct Materials	3,582,495	1,732,590	1,849,905
Total	$ 19,374,887	$ 16,099,133	$ 3,275,754

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:

Fiscal Year Ending June 30	Amount
2013	$ 265,294
2014	94,362
2015	17,467
Total Minimum Payments Required	$ 377,123

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 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 to February 29, 2012, and up to $90 million from March 1, 2012. 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.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

15. 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	$ 29,457,608
Public Services	583,938
Academic Support	7,188,147
Student Services	8,332,336
Institutional Support	13,097,783
Operation and Maintenance of Plant	11,769,965
Scholarships and Fellowships	15,317,144
Depreciation	5,891,622
Auxiliary Enterprises	1,279,059
Total Operating Expenses	$ 92,917,602

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		421,101	421,101	0%	25,684,249	1.6%
7/1/2011		580,062	580,062	0%	25,052,174	2.3%

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

EDISON STATE COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION - NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2011, unfunded actuarial accrued liability of $580,062 was significantly higher than the July 1, 2009, liability of $421,101 as a result of the following:

- Demographic assumptions (rates of withdrawal, retirement, disability, and mortality) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of healthcare were updated, including a change to the methodology used to relate healthcare costs between ages.
- The rates of healthcare inflation used to project the per capita healthcare costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.

AUDITOR GENERAL

STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

PHONE: 850-488-5534
FAX: 850-488-6975

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, 2012, 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 blended and discretely presented component units 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*.

Our **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*** is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

David W. Martin, CPA
March 20, 2013