



AUDITOR GENERAL
DAVID W. MARTIN, CPA



EDISON COLLEGE

Financial Audit

For the Fiscal Year Ended June 30, 2007

During the audit period, the President of the College was Dr. Kenneth P. Walker. Members of the College's Board of Trustees who served during the audit period are listed below:

<u>Board Member</u>	<u>County</u>
Mary Lee Mann, Chair	Lee
W. Mahlan Houghton, Jr., Vice-Chair	Lee
Dr. Washington D. Baquero	Lee
Enid S. Gorvine	Charlotte
Dr. David M. Klein	Charlotte
Kim C. Long to 2-05-07 (1)	Collier
Dr. Randall T. Parrish, Jr.	Hendry
Julia G. Perry	Glades
Christopher T. Vernon	Collier

Note: (1) Board member position remained vacant through June 30, 2007.

EDISON COLLEGE
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EXECUTIVE SUMMARY

The audit of the financial statements of Edison College for the fiscal year ended June 30, 2007, was conducted pursuant to the provisions of Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The scope of this audit included an examination of the financial statements of the College, a component unit of the State of Florida, and a determination as to whether management complied with applicable laws, rules, regulations, contracts, and grant agreements and other matters that are material to the financial statements. An examination of Federal awards administered by the College is included in our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2008-108.

The following provides a summary of the findings of our audit of the College's financial statements:

- We found that the College's financial statements presented fairly, in all material respects, the financial positions of the College as of June 30, 2007, and its discretely presented component unit as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal years then ended.
- No significant deficiencies are noted in our report on the College's internal control over financial reporting.
- The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This audit was coordinated by David Pournaras, CPA, and supervised by Deirdre F. Waigand, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at tedsauerbeck@aud.state.fl.us or by telephone at (850) 487-4468.

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

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 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, 2007, as shown on pages 14 through 34. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for this entity, is based solely upon the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Edison College as of June 30, 2007, and of its discretely presented component unit as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the Edison College Foundation, Inc. (Foundation), a component unit of the College, changed its fiscal year from July through June to April through March in the prior year. As a result, the College's 2005-06 financial statements include Foundation financial activities for the nine-month period ended March 31, 2006. This affects the comparability of amounts reported on the statement of revenues, expenses, and changes in net assets for the discretely presented component unit column for the 2006-07 fiscal year with amounts reported for the 2005-06 fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of Edison College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 5 through 13 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA
March 10, 2008



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

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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 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, 2007, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to College management in our operational audit report No. 2008-108, dated March 2008.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



David W. Martin, CPA
March 10, 2008

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, 2007, 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 \$108 million at June 30, 2007. This balance reflects a \$7.1 million, or 7 percent, increase from the 2005-06 fiscal year, primarily due to a \$4.3 million increase in capital outlay appropriations. Liabilities totaled \$6.9 million at June 30, 2007, which reflects an increase of \$.6 million, or 9.3 percent, from the prior year. As a result, the College's net assets increased by \$6.5 million, reaching a year end balance of \$101.1 million.

The College's operating revenues totaled \$17.8 million for the 2006-07 fiscal year, representing an increase of 11 percent over the 2005-06 fiscal year due mainly to a 2.5 percent increase in the student tuition rate, an increase in amounts from federal and state grants and contracts, and interest earnings. Operating expenses totaled \$54.1 million for the 2006-07 fiscal year, representing an increase of 2.8 percent over the 2005-06 fiscal year due mainly to authorized pay increases and increases in health insurance costs.

OVERVIEW OF FINANCIAL STATEMENTS

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

- Edison 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 College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida. For the 2005-06 fiscal year, the Foundation changed its fiscal year from July through June to April through March. As a result of this change, the Foundation's prior year financial activities were presented for the nine-month period ended March 31, 2006. This affects the comparability of amounts reported between current and prior year reporting periods.

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 College as a whole, better off or worse off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a way that

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

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

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

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

Assets, Liabilities, and Net Assets at (In Thousands)				
	College		Component Unit	
	6-30-07	6-30-06	3-31-07	3-31-06
Assets				
Current Assets	\$ 19,239	\$ 15,677	\$ 935	\$ 12,335
Capital Assets, Net	82,482	80,096		
Other Noncurrent Assets	6,283	5,124	49,773	22,113
Total Assets	108,004	100,897	50,708	34,448
Liabilities				
Current Liabilities	1,899	1,594	10,234	1,610
Noncurrent Liabilities	4,967	4,687		
Total Liabilities	6,866	6,281	10,234	1,610
Net Assets				
Invested in Capital Assets, Net of Related Debt	81,152	78,586		
Restricted	13,852	10,921	27,588	21,575
Unrestricted	6,134	5,109	12,886	11,263
Total Net Assets	\$ 101,138	\$ 94,616	\$ 40,474	\$ 32,838
Increase in Net Assets	\$ 6,522	6.9%	\$ 7,636	23.3%

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

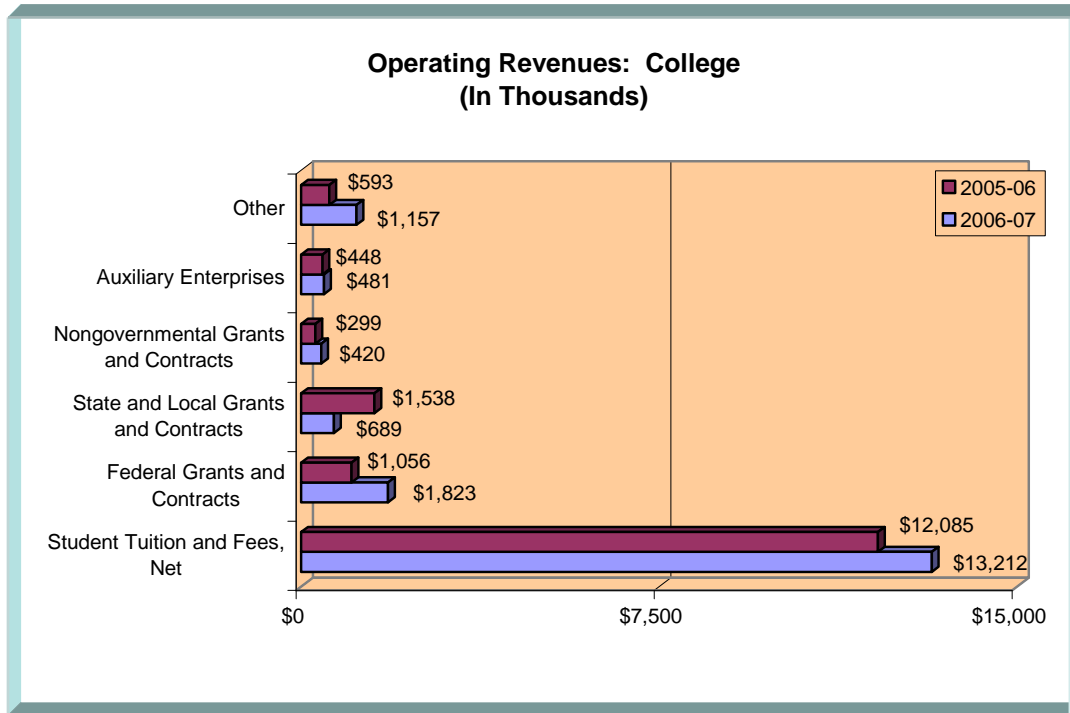
Operating Results for the Periods Ended				
(In Thousands)				
	<u>College</u>		<u>Component Unit</u>	
	<u>6-30-07</u>	<u>6-30-06</u>	<u>3-31-07</u>	<u>3-31-06 (1)</u>
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 13,212	\$ 12,085	\$	\$
Federal Grants and Contracts	1,823	1,056		
State and Local Grants and Contracts	689	1,538	169	
Nongovernmental Grants and Contracts	420	299	3,436	760
Auxiliary Enterprises	481	448		
Other Operating Revenues	1,157	593	26	29
Total Operating Revenues	17,782	16,019	3,631	789
Less, Operating Expenses	54,107	52,630	2,668	2,310
Operating Income (Loss)	(36,325)	(36,611)	963	(1,521)
Nonoperating Revenues (Expenses)				
State Appropriations	25,350	23,457		
Other Nonoperating Revenues	9,844	9,292	3,633	1,159
Nonoperating Expenses	(73)	(68)		
Net Nonoperating Revenues	35,121	32,681	3,633	1,159
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
Capital Appropriations	(1,204)	(3,930)	4,596	(362)
Capital Grants, Contracts, Gifts, and Fees	7,716	3,456		
Increase (Decrease) to Permanent Endowments	10	21	2,126	
		(24)	914	4,067
Increase (Decrease) in Net Assets	6,522	(477)	7,636	3,705
Net Assets, Beginning of Year	94,616	95,093	32,838	29,133
Net Assets, End of Year	\$ 101,138	\$ 94,616	\$ 40,474	\$ 32,838

Note: (1) Amounts are for the nine-month period ended March 31, 2006.

Operating Revenues

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

The following chart presents the College’s operating revenues for the 2006-07 and 2005-06 fiscal years:



When compared to the prior year, the College’s operating revenues increased by approximately \$1.8 million, or 11 percent, due primarily to an increase in the tuition rate and additional Federal grants and contracts.

Operating Expenses

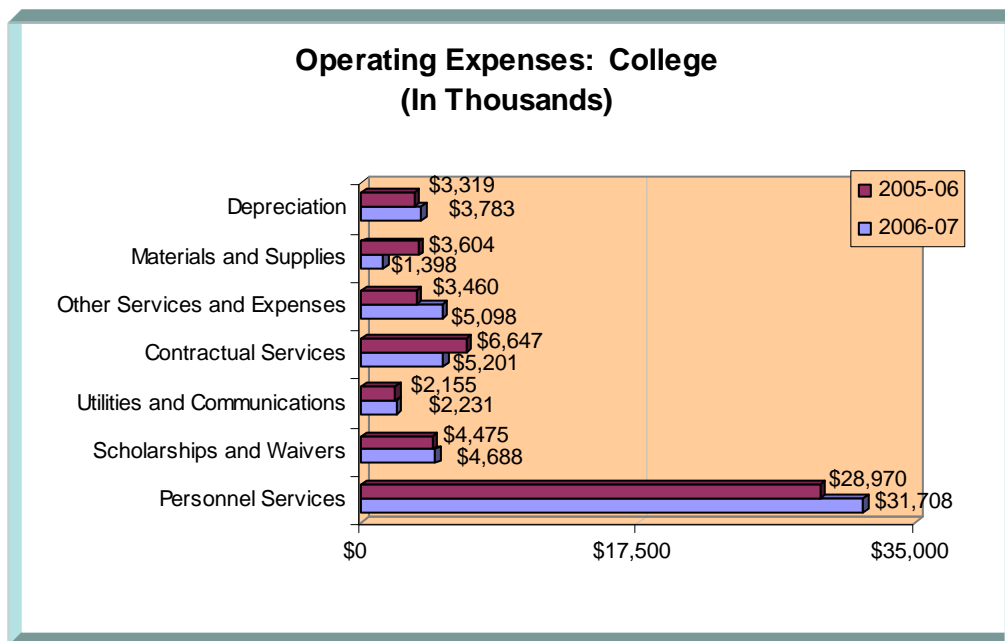
Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen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

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

Operating Expenses for the Periods Ended (In Thousands)				
	College		Component Unit	
	6-30-07	6-30-06	3-31-07	3-31-06 (1)
Operating Expenses				
Personnel Services	\$ 31,708	\$ 28,970	\$	\$
Scholarships and Waivers	4,688	4,475	1,590	1,540
Utilities and Communications	2,231	2,155		
Contractual Services	5,201	6,647	208	122
Other Services and Expenses	5,098	3,460	870	648
Materials and Supplies	1,398	3,604		
Depreciation	3,783	3,319		
Total Operating Expenses	\$ 54,107	\$ 52,630	\$ 2,668	\$ 2,310

Note: (1) Amounts are for the nine-month period ended March 31, 2006.

The following chart presents the College’s operating expenses for the 2006-07 and 2005-06 fiscal years:



Operating expense changes were primarily the result of the following factors:

- Personnel services increased due to authorized pay increases and increases in insurance benefit costs.
- Contractual services decreased primarily due to information technology functions being brought in house rather than being outsourced.
- Other services and expenses increased due to more spending associated with repairs and maintenance, noncapitalized expenditures, and printing.
- Materials and supplies decreased due to less spending on noncapitalized software and information technology supplies.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College’s nonoperating revenues and expenses for the 2006-07 and 2005-06 fiscal years:

Nonoperating Revenues (Expenses): College (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
State Appropriations	\$ 25,350	\$ 23,457
Gifts and Grants	8,778	7,630
Investment Income	1,046	718
Interest on Capital Asset-Related Debt	(73)	(68)
Other Nonoperating Revenues	<u>20</u>	<u>944</u>
Net Nonoperating Revenues	<u>\$ 35,121</u>	<u>\$ 32,681</u>

Changes in nonoperating revenues were primarily due to an increase in State funding.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2006-07 and 2005-06 fiscal years:

Other Revenues, Expenses, Gains, or Losses: College (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
Capital Appropriations	\$7,716	\$3,456
Capital Grants, Contracts, Gifts, and Fees	10	21
Decrease to Permanent Endowments	<u> </u>	<u>(24)</u>
Total	<u>\$7,726</u>	<u>\$3,453</u>

The approximately \$4.3 million increase in other revenues, expenses, gains, or losses is due to a significant increase in Public Education Capital Outlay 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:

- 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 2006-07 and 2005-06 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
Cash Provided (Used) by:		
Operating Activities	\$(32,047)	\$(33,970)
Noncapital Financing Activities	34,091	31,685
Capital and Related Financing Activities	(70)	1,573
Investing Activities	<u>1,076</u>	<u>708</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,050	(4)
Cash and Cash Equivalents, Beginning of Year	<u>14,761</u>	<u>14,765</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 17,811</u></u>	<u><u>\$ 14,761</u></u>

The College's cash receipts from operating activities primarily consist of tuition and grant revenues. Cash outlays include payment of wages, benefits, supplies, utilities, and scholarships. Cash outlays from operating activities primarily include payment of wages and benefits of \$31.3 million and payments to suppliers for goods and services of \$11.3 million.

State appropriations are the primary source of noncapital financing inflows. Other noncapital financing activities includes grants and gifts considered nonexchange transactions in accordance with GASB Statement No. 35. Net cash provided by noncapital financing activities increased \$2.4 million from the previous year. Receipts of State appropriations increased \$1.9 million which represents the majority of the net increase.

The main capital and related activities include payments received under the Public Education Capital Outlay (PECO) appropriation and receipt of capital related fees and grants. Net cash used from capital and related financing activities increased by \$1.5 million from the previous year. Outflows include purchases of capital assets of \$6.2 million for the acquisition of capitalized equipment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2007, the College had \$126.8 million in capital assets, less accumulated depreciation of \$44.3 million, for net capital assets of \$82.5 million. Depreciation charges for the current fiscal year totaled \$3.8 million. The following table summarizes the College's capital assets for the 2006-07 fiscal year:

Capital Assets: College (In Thousands)				
Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 2,702	\$	\$	\$ 2,702
Art Collections		75		75
Buildings	102,765	4,313		107,078
Other Structures and Improvements	10,003	1,095		11,098
Furniture, Machinery, and Equipment	5,270	425	137	5,558
Construction in Progress	31	290	31	290
Total	120,771	6,198	168	126,801
Less, Accumulated Depreciation:				
Buildings	30,442	2,318		32,760
Other Structures and Improvements	5,986	1,039		7,025
Furniture, Machinery, and Equipment	4,246	426	137	4,535
Total Accumulated Depreciation	40,674	3,783	137	44,320
Capital Assets, Net	\$ 80,097	\$ 2,415	\$ 31	\$ 82,481

Major capital projects completed during the 2006-07 fiscal year included the remodeling of the Information Technology Building for \$.7 million, renovations of the Collier campus for \$2.7 million, and other collegewide remodeling and renovations.

More information about the College’s capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$1.3 million in long-term debt outstanding versus \$1.5 million at the end of the prior fiscal year, a decrease of 13.3 percent. This debt is comprised solely of State Board of Education Capital Outlay Bonds issued on behalf of the College. During the 2006-07 fiscal year, there were no bond sales, and debt repayments totaled \$.2 million. Additional information about the College’s long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Edison College’s economic condition is closely tied to that of the State of Florida and the southwest Florida region. State appropriations continue to comprise approximately 53 percent of total unrestricted general revenue and are the largest source of funding. Public education, by all indications, will continue to be a priority for the state with respect to funding. The southwest Florida region continues to realize population increases as evidenced by K-12 enrollment increases, including a significant number who will attend Edison College after graduation from high school. The College maintains a healthy unrestricted net assets balance. These factors indicate that current operations will be adequately funded for the future.

REQUESTS FOR INFORMATION

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

FINANCIAL SECTION

**EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
As of June 30, 2007**

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 9,051,091	\$
Restricted Cash and Cash Equivalents	3,111,276	557,686
Accounts Receivable, Net	1,260,448	377,500
Notes Receivable, Net	85,328	
Due from Other Governmental Agencies	5,109,149	
Prepaid Expenses	622,147	
Total Current Assets	<u>19,239,439</u>	<u>935,186</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,648,223	
Investments		12,821,571
Restricted Investments	634,516	26,263,498
Depreciable Capital Assets, Net	79,415,103	
Nondepreciable Capital Assets	3,066,518	
Other Assets		10,687,849
Total Noncurrent Assets	<u>88,764,360</u>	<u>49,772,918</u>
TOTAL ASSETS	<u>\$ 108,003,799</u>	<u>\$ 50,708,104</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,130,830	\$ 50,733
Salary and Payroll Taxes Payable	445,938	
Retainage Payable	10,494	
Deferred Revenue	3,118	10,183,339
Deposits Held for Others	5,226	
Long-Term Liabilities - Current Portion:		
Bonds Payable	85,000	
Special Termination Benefits Payable	113,163	
Compensated Absences Payable	104,980	
Total Current Liabilities	<u>1,898,749</u>	<u>10,234,072</u>
Noncurrent Liabilities:		
Bonds Payable	1,245,000	
Special Termination Benefits Payable	127,568	
Compensated Absences Payable	3,594,978	
Total Noncurrent Liabilities	<u>4,967,546</u>	
TOTAL LIABILITIES	<u>6,866,295</u>	<u>10,234,072</u>

EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2007

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 81,151,621	\$
Restricted:		
Nonexpendable:		
Endowment	637,180	23,118,733
Expendable:		
Grants and Loans	1,555,574	
Scholarships	1,026,951	4,469,680
Capital Projects	10,589,033	
Debt Service	42,676	
Unrestricted	6,134,469	12,885,619
Total Net Assets	101,137,504	40,474,032
TOTAL LIABILITIES AND NET ASSETS	\$ 108,003,799	\$ 50,708,104

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

EDISON 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, 2007

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$4,931,313	\$ 13,212,286	\$
Federal Grants and Contracts	1,822,734	
State and Local Grants and Contracts	689,415	168,830
Nongovernmental Grants and Contracts	419,653	3,436,458
Auxiliary Enterprises	480,523	
Other Operating Revenues	1,157,432	26,000
Total Operating Revenues	17,782,043	3,631,288
EXPENSES		
Operating Expenses:		
Personnel Services	31,708,523	
Scholarships and Waivers	4,688,559	1,590,030
Utilities and Communications	2,230,783	
Contractual Services	5,200,745	207,800
Other Services and Expenses	5,097,930	870,005
Materials and Supplies	1,398,012	
Depreciation	3,782,871	
Total Operating Expenses	54,107,423	2,667,835
Operating Income (Loss)	(36,325,380)	963,453
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	25,349,980	
Gifts and Grants	8,777,689	
Investment Income	1,045,982	3,632,850
Other Nonoperating Revenues	20,056	
Interest on Capital Asset-Related Debt	(72,632)	
Net Nonoperating Revenues	35,121,075	3,632,850
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,204,305)	4,596,303
Capital Appropriations	7,715,897	
Capital Grants, Contracts, Gifts, and Fees	10,000	2,125,623
Increase to Permanent Endowments		914,518
Total Other Revenues	7,725,897	3,040,141
Increase in Net Assets	6,521,592	7,636,444
Net Assets, Beginning of Year	94,615,912	32,837,588
Net Assets, End of Year	\$ 101,137,504	\$ 40,474,032

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

EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2007

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 13,177,860
Grants and Contracts	2,843,650
Payments to Suppliers	(11,308,953)
Payments for Utilities and Communications	(2,230,783)
Payments to Employees	(24,616,330)
Payments for Employee Benefits	(6,726,074)
Payments for Scholarships	(4,688,559)
Net Loans Issued to Students	(378,748)
Collection of Loans to Students	425,255
Auxiliary Enterprises	475,769
Other Receipts, Net	979,831
	(32,047,082)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	25,349,980
Gifts and Grants Received for Other Than Capital or Endowment Purposes	8,740,583
	34,090,563
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	6,263,389
Capital Grants and Gifts	85,000
Proceeds from Sale of Capital Assets	2,402
Purchases of Capital Assets	(6,168,271)
Principal Paid on Capital Debt and Leases	(180,000)
Interest Paid on Capital Debt and Leases	(72,632)
	(70,112)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	418
Investment Income	1,075,437
	1,075,855
Net Increase in Cash and Cash Equivalents	3,049,224
Cash and Cash Equivalents, Beginning of Year	14,761,366
Cash and Cash Equivalents, End of Year	\$ 17,810,590

EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2007

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (36,325,380)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,782,871
Changes in Assets and Liabilities:	
Receivables, Net	(283,472)
Other Assets	13,826
Accounts Payable	499,664
Deferred Revenue	(12,464)
Deposits Held for Others	(2,806)
Compensated Absences Payable	280,679
	\$ (32,047,082)

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

EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Edison 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 Community 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 law and State Board of Education rules. Geographic boundaries of the District correspond with those of Charlotte, Collier, Glades, Hendry, and Lee Counties.

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Edison 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, 2007.

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.

EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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

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

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

The College's component unit uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and, effective for the fiscal year ending March 31, 2007, follows GASB standards of accounting and financial reporting.

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

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

EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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

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

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

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows for Proprietary and Non-Expendable Trust Funds*.

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 and State Board of Administration. For the purpose of reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury Special Purpose Investment Account (SPIA) and State Board of Administration Local Government Surplus Funds Trust Fund 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

EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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

At June 30, 2007, the College reported as cash equivalents at fair value \$17,246 of moneys held in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The State Treasury has taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.21 years at June 30, 2007. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2007, the College reported as cash equivalents at fair value \$4,711,132 of moneys held in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The College's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign credit risk. The investment pool was not rated by a nationally recognized statistical rating agency as of June 30, 2007.

Capital Assets. College capital assets consist of land; art collections; buildings; other structures and improvements; furniture, machinery, and equipment; and construction in progress. 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

EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

- Vehicles, Office Machines, Educational Equipment – 5 years
- Furniture – 7 years

2. INVESTMENTS

Section 218.415(16), Florida Statutes, authorizes the College to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments. Investments set 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, 2007, totaling \$634,516 consisted of United States government bonds reported at fair value. The following risks apply to these investments:

Interest Rate Risk: The College's investment plan does not limit exposure to declines in fair values as a result of interest rate changes. Its investments in United States government bonds at June 30, 2007, have maturities ranging from August 2008 through June 2013.

Credit Risk: The College's investment plan does not limit exposure to credit risk. The College's investment in United States government bonds were rated Aaa by Moody's and AAA by Standard and Poor's at June 30, 2007.

Concentration of Credit Risk: The College's investment plan has no limits on the amount that may be invested in any type of investment.

Component Unit Investments

Investments held by the Edison College Foundation, Inc., at March 31, 2007, consisted of mutual funds totaling \$39,085,069 and are reported at fair value. Investment risk disclosures are not required for mutual funds.

EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

The Foundation's investment policy is to invest its assets in mutual funds holding equities, fixed income investments, and cash. Target mutual fund allocations are 60 percent in equities and 40 percent in fixed income, with any residual being invested in cash reserves. The policy excludes investments in letter stock or unregistered equities, commodity contracts, short or margin sales, and natural resource properties such as oil, gas, and timber.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for contracted auxiliary operations, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$237,072 allowance for uncollectible accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the short-term loan program. Notes receivable are reported net of a \$33,073 allowance for uncollectible accounts.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$4,780,123 of Public Education Capital Outlay allocations due from the State to the College for construction, renovation, and maintenance of College facilities.

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2007, is shown below:

EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 2,701,569	\$	\$	\$ 2,701,569
Art Collections		75,000		75,000
Construction in Progress	30,997	289,949	30,997	289,949
Total Nondepreciable Capital Assets	\$ 2,732,566	\$ 364,949	\$ 30,997	\$ 3,066,518
Depreciable Capital Assets:				
Buildings	\$ 102,764,623	\$ 4,313,517	\$	\$ 107,078,140
Other Structures and Improvements	10,002,600	1,095,528		11,098,128
Furniture, Machinery, and Equipment	5,270,115	425,274	137,075	5,558,314
Total Depreciable Capital Assets	118,037,338	5,834,319	137,075	123,734,582
Less, Accumulated Depreciation:				
Buildings	30,441,816	2,317,675		32,759,491
Other Structures and Improvements	5,985,764	1,039,369		7,025,133
Furniture, Machinery, and Equipment	4,246,104	425,826	137,075	4,534,855
Total Accumulated Depreciation	40,673,684	3,782,870	137,075	44,319,479
Total Depreciable Capital Assets, Net	\$ 77,363,654	\$ 2,051,449	\$	\$ 79,415,103

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 the eligibility requirements have been met. As of March 31, 2007, the following amounts related to these contributions were reported as deferred revenue:

Description	Amount
Contingent Donation	\$ 300,000
Irrevocable Charitable Remainder Annuity Trusts	733,882
Pooled Gift Annuity	394,608
Irrevocable Trusts	6,454,849
Life Estate Trust	2,300,000
Total	\$ 10,183,339

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2007, include bonds, special termination benefits, and compensated absences. Long-term liabilities activity for the fiscal year ended June 30, 2007, is shown below:

EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 1,510,000	\$	\$ 180,000	\$ 1,330,000	\$ 85,000
Special Termination Benefits Payable	152,007	140,087	51,363	240,731	113,163
Compensated Absences Payable	3,419,278	361,732	81,052	3,699,958	104,980
Total Long-Term Liabilities	\$ 5,081,285	\$ 501,819	\$ 312,415	\$ 5,270,689	\$ 303,143

Bonds Payable. The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable outstanding at June 30, 2007:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education			
Capital Outlay Bonds:			
Series 2005-B	\$ 65,000	5.0	2018
Series 2005-A, Refunding	605,000	5.0	2017
Series 2005-A, New Money	310,000	4.0 - 5.0	2025
Series 2004-A	120,000	3.000 - 4.625	2024
Series 2002-B	225,000	3.375 - 5.375	2014
Series 1998-A	5,000	4.5	2008
Total	\$ 1,330,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2007, are as follows:

EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2008	\$ 85,000	\$ 63,183	\$ 148,183
2009	100,000	59,364	159,364
2010	105,000	54,901	159,901
2011	120,000	49,614	169,614
2012	120,000	43,565	163,565
2013-2017	545,000	129,700	674,700
2018-2022	160,000	39,365	199,365
2023-2025	95,000	7,912	102,912
Total	\$ 1,330,000	\$ 447,604	\$ 1,777,604

In a prior fiscal year, a portion of the State Board of Education Capital Outlay Bonds, Series 1998-A, was refunded and considered defeased in-substance by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. The defeased bonds are not reported as outstanding debt on the College's statement of net assets. Debt considered defeased at June 30, 2007, totaled \$65,000.

Special Termination Benefits Payable. On November 16, 1989, the Board approved a Retirement Incentive Program that established certain eligibility guidelines for employees to receive benefits under this Program. For qualifying employees, the Program provides payment of 50 percent of the cost of hospitalization and life insurance coverage for a period of 36 calendar months after the effective date of separation; payment for 50 percent of accumulated sick leave for the first 10 years of creditable service, plus an additional 2.5 percent of accumulated sick leave for each year of creditable service beyond 10 years to a maximum of 20 additional years; and a one-time only salary bonus. The College reported a special termination benefits payable for 11 employees of \$240,731 at June 30, 2007, of which \$113,163 represents the current portion.

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2007, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$3,699,958. The current portion of the compensated absences liability is the amount

EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

expected to be paid in the coming fiscal year, and represents eligible payments for unused leave on behalf of regular retirees and/or Deferred Retirement Option Program participants to a deferred compensation annuity program.

9. RETIREMENT PROGRAMS

Florida Retirement System. Most employees working in regularly established positions of the College are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions 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. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

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

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2006-07 fiscal year were as follows:

EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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

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

(B) Contribution rates are dependent upon retirement class or plan 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, 2005, June 30, 2006, and June 30, 2007, totaled \$985,620, \$1,076,908, and \$1,417,151, respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. College employees already participating in the State Community College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 106 College participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$340,332.

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

EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

State Community College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible community college instructors and administrators. The Program is designed to aid community 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 community college contributes, on behalf of the participant, 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the community college to the participant's annuity account.

There were 36 College participants during the 2006-07 fiscal year. Required employer contributions made to the Program totaled \$219,251.

10. SENIOR MANAGEMENT LOCAL ANNUITY PLAN

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

The College contributes an amount equal to a percentage of the participant's salary to an annuity plan provided by approved sponsors. The Board approves the College's contribution percentage rate each year. The participant does not make any contributions to the Plan. Each participant is fully vested immediately. During the 2006-07 fiscal year, there were four Plan participants, and the College contributed \$101,837.

11. OTHER TERMINATION BENEFITS

The College provides an IRS approved Code Section 401(a) pretax program for terminal pay that permits the College to disburse terminal 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

**EDISON COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

\$284,653 in salaries for 11 employees during the 2006-07 fiscal year to the special termination benefits program.

12. POST-EMPLOYMENT BENEFITS

Pursuant to Section 112.0801, Florida Statutes, the College pays fifty percent of the cost of health care and life insurance benefits for three years for retired former employees. All of the College's employees may become eligible for those benefits if they reach normal retirement age and have their last ten years of service with the College. At June 30, 2007, the College provided benefits to 13 retired former employees and recognized the cost of the benefits as an expense each month as premiums were paid. For the 2006-07 fiscal year, premiums totaled \$25,182.

13. SAVINGS INCENTIVE PLAN

Effective January 1, 1994, the Board approved the adoption of a Savings Incentive Plan as provided by Section 403(b) of the Internal Revenue Code of 1986. Under the Plan, all full-time employees can elect to defer a portion of their salary within Internal Revenue Service guidelines. The College may make a matching employer contribution in an amount to be determined annually by the Board at its discretion. During the 2006-07 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 2006-07 fiscal year, the College contributed \$669,509 to the Plan.

14. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2007, are as follows:

Project Description	Total Commitments	Completed to Date	Balance Committed
Building J Remodel - Lee Campus:			
Architect	\$ 374,370	\$ 127,798	\$ 246,572
General Contractor	30,000		30,000
Areca Hall Remodel - Lee Campus:			
General Contractor	186,903	66,412	120,491
Furnishings	91,394		91,394
Pedestrian Walkways and Lighting - Lee Campus:			
General Contractor	233,749		233,749
Direct Materials	92,968		92,968
Total	\$ 1,009,384	\$ 194,210	\$ 815,174

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15. OPERATING LEASE COMMITMENTS

The College leased various office equipment and computers under operating leases, which expire in 2011. These leased assets and the related commitments are not reported on the College’s statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2008	\$ 438,895
2009	214,723
2010	119,293
2011	<u>51,216</u>
Total Minimum Payments Required	<u><u>\$ 824,127</u></u>

16. 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 Community Colleges Risk Management Consortium, which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public community colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide community 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 \$115 million. Insurance coverage obtained through the Consortium included health and hospitalization, dental, life, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

17. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the Community College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college's apportionment considering the following components: base budget, which includes the State appropriation to the Community College Program Fund in the current year plus the related student tuition and fees

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assigned in the current General Appropriations Act; the cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which are determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates are deducted from the sum of these components to determine the net annual State apportionment to each college.

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

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

<u>Source</u>	<u>Amount</u>
Community College Program Fund	\$ 22,191,691
Gross Receipts Tax (Public Education Capital Outlay)	7,414,740
Education Enhancement Trust Fund (Lottery)	2,742,322
Bright Futures Scholarship Program	1,274,032
Florida Student Assistance Grants	706,261
SUCCEED Florida Grants	497,578
Performance Based Incentives	411,381
Motor Vehicle License Tax (Capital Outlay and Debt Service)	305,743
FACTS Project Contract	135,000
Baccalaureate Program	56,837
Other State Sources	5,415
Total	<u><u>\$ 35,741,000</u></u>

18. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

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Functional Classification	Amount
Instruction	\$ 17,814,547
Public Services	102
Academic Support	4,917,851
Student Services	5,285,740
Institutional Support	10,210,287
Operation and Maintenance of Plant	7,475,772
Scholarships and Fellowships	4,581,272
Depreciation	3,782,871
Auxiliary Operations	38,981
Total Operating Expenses	\$ 54,107,423

19. SUBSEQUENT EVENTS

On November 28, 2007, the Edison College Financing Corporation (Corporation) was created as a direct-support organization of the College. The Corporation was created to provide housing opportunities for College students; finance capital projects to meet current and future College needs, such as student housing, parking facilities, or other improvements; manage and invest funds held on behalf of the College; operate or administer contracts for the College's auxiliary enterprises; and to conduct other authorized activity on behalf of the College.

As discussed in note 1, at June 30, 2007, the College had \$4,711,132 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund investment pool (Pool). On December 4, 2007, the State Board of Administration restructured the Pool and implemented temporary restrictions on the withdrawal of moneys that were on deposit including the requirement that a redemption fee be paid for withdrawals in excess of amounts to be periodically set by the State Board of Administration. Information regarding the restructuring and withdrawal restrictions is available from the College and the State Board of Administration. The College had \$772,904 invested in the Pool as of March 10, 2008.