FLORIDA SOUTHWESTERN STATE COLLEGE DISTRICT BOARD OF TRUSTEES
Agenda Item Summary

Meeting Date: 1/27/2015

1. **Action Requested/Purpose: Approval of Audited Financial Statements for the year ended June 30, 2014.**

2. **Fiscal Impact:** ☐ Yes ☒ No ☐ N/A

3. **Funding Source**: N/A Amount: N/A

4. **Administration Recommendation: Approval of the Audited Financial Statements for the year ended June 30, 2014.**

5. **Agenda Item Type:**

☒ Action Item
☐ Consent Agenda
☐ Information Only
☐ Board Requested Information/Report

8. **Requirement/Purpose (Include Citation)**

☐ Statute
☐ Administrative Code
☐ Other

9. **Background Information:**

The Annual Financial Report represents the activities and financial results of the College's operations for the fiscal year ended June 30, 2014. The report was submitted to the Florida Department of Education, Division of Florida Colleges by the scheduled due date of August 15, 2014. Florida Statute 1010.30 authorizes the Auditor General's Office to audit the financial statements of the College in order to express an opinion on the fairness with which they are presented in conformity with generally accepted accounting principles and an examination to determine whether operations are properly conducted in accordance with legal and regulatory requirements. In December 2014, the Auditors General's Office issued an unqualified opinion in regards to the Annual Financial Report.

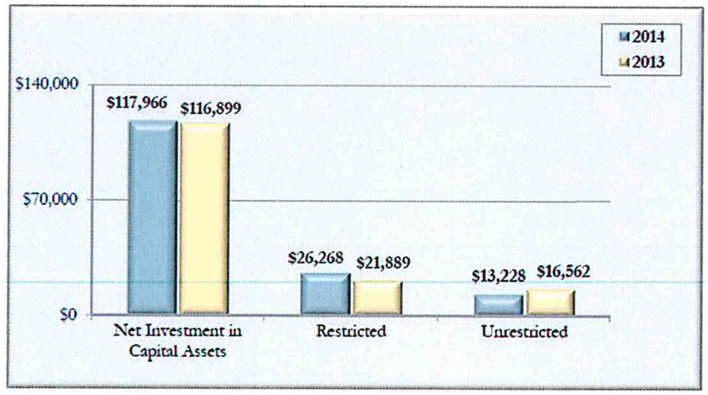
Requested By:	**Vice President, Administrative Services**
Funding Verified by:	**Vice President, Administrative Services**
Approved For Agenda by:	**President**

Summary of 2013-14 Financial Statements

Condensed Statement of Net Position

	College 6-30-14	College 6-30-13
Assets		
Current Assets	$ 32,058	$ 25,228
Capital Assets, Net	154,481	156,066
Other Noncurrent Assets	20,742	23,253
Total Assets	207,281	204,547
Deferred Outflows of Resources	1,517	2,301
Liabilities		
Current Liabilities	6,410	5,184
Noncurrent Liabilities	44,926	46,314
Total Liabilities	51,336	51,498
Net Position		
Net Investment in Capital Assets	117,966	116,899
Restricted	26,268	21,889
Unrestricted	13,228	16,562
Total Net Position	$ 157,462	$ 155,350

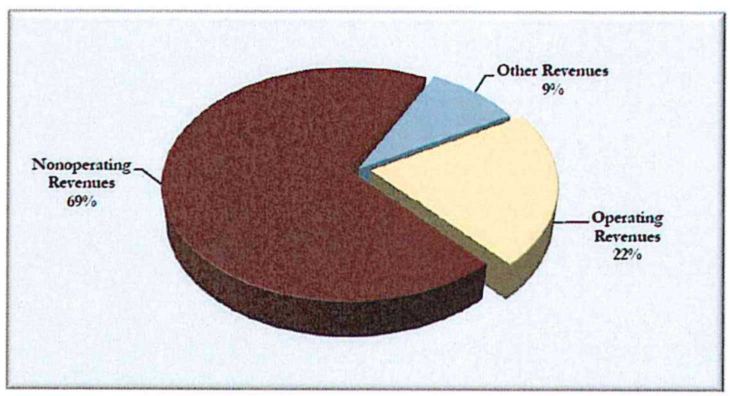
Net Position: College
(In Thousands)



Condensed Statement of Revenue, Expenses and Changes in Net Position

	College 6-30-14	College 6-30-13
Operating Revenues	$ 20,317	$ 23,717
Less, Operating Expenses	90,227	90,915
Operating Income (Loss)	(69,910)	(67,198)
Net Nonoperating Revenues	63,649	58,219
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(6,261)	(8,979)
Other Revenues, Expenses, Gains, or Losses	8,670	5,242
Net Increase (Decrease) In Net Position	2,409	(3,737)
Net Position, Beginning of Year	155,350	159,087
Adjustments to Beginning Net Position	(297)	
Net Position, Beginning of Year, as Restated	155,053	159,087
Net Position, End of Year	$ 157,462	$ 155,350

Total Revenues: College



Condensed Statement of Cash Flows

	6-30-14	6-30-13
Cash Provided (Used) by:		
Operating Activities	$ (62,516)	$ (60,484)
Noncapital Financing Activities	65,378	58,965
Capital and Related Financing Activities	(1,238)	2,835
Investing Activities	578	1,721
Net Increase (Decrease) in Cash and Cash Equivalents	2,202	3,037
Cash and Cash Equivalents, Beginning of Year	20,164	17,127
Cash and Cash Equivalents, End of Year	$ 22,366	$ 20,164

REPORT NO. 2015-062
DECEMBER 2014

EDISON STATE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2014

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

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

The audit team leader was James A. Grattan, CPA, and the audit was supervised by Deirdre F. Waigand, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

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) 412-2722; 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, 2014. 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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

PHONE: 850-412-2722
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

Report on the 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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 of Edison State College Financing Corporation, a blended component unit, represent 14.9 percent, 53.2 percent, 3.2 percent, and 2.9 percent, respectively, of the assets, liabilities, net position, and revenues, 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 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 solely 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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.

Other Reporting Required by *Government Auditing Standards*

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* in considering Edison State College's internal control over financial reporting and compliance.

Respectfully submitted,

David W. Martin

David W. Martin, CPA
Tallahassee, Florida
December 4, 2014

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, 2014, and should be read in conjunction with the financial statements and notes thereto. The MD&A and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2014, and June 30, 2013, its blended component unit Edison State College Financing Corporation for fiscal years ended March 31, 2014 and March 31, 2013, and its discretely presented component unit Edison State College Foundation, Inc., for fiscal years ended March 31, 2014 and March 31, 2013.

COLLEGE NAME CHANGE

The College's Board of Trustees approved the name change from Edison State College to Florida SouthWestern State College effective July 1, 2014, pursuant to Section 1001.60(2)(b), Florida Statutes.

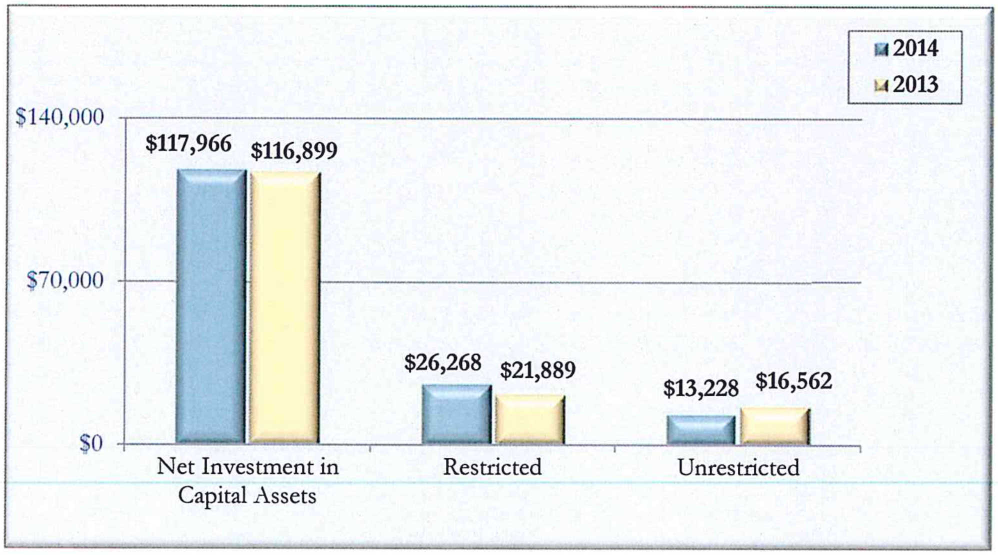
FINANCIAL HIGHLIGHTS

The College's assets totaled $207.3 million at June 30, 2014. This balance reflects a $2.7 million, or 1.3 percent, increase as compared to the 2012-13 fiscal year, resulting mainly from an increase in restricted cash and cash equivalents as well as an increase in due from other governmental agencies. While assets grew, liabilities remained relatively unchanged at $51.3 million for the fiscal year ended June 30, 2014. As a result, the College's net position increased by $2.1 million, resulting in a year-end balance of $157.5 million, or 1.4 percent increase over the previous fiscal year.

The College's operating revenues totaled $20.3 million for the 2013-14 fiscal year, representing a decrease of $3.4 million, or 14.3 percent, as compared to the 2012-13 fiscal year due mainly to a decrease in net student tuition and fees. Operating expenses totaled $90.2 million for the 2013-14 fiscal year, representing a decrease of 0.8 percent as compared to the 2012-13 fiscal year.

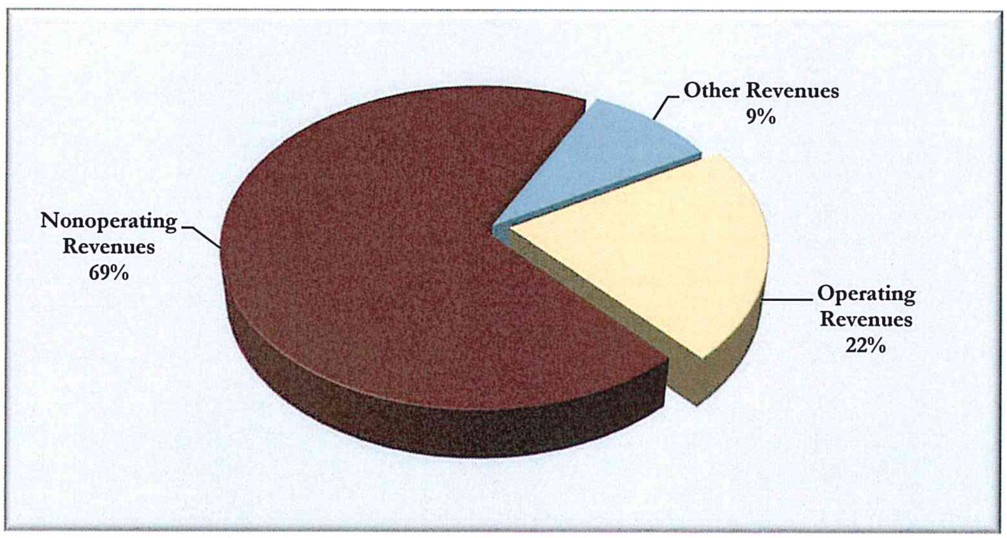
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

Net Position: College
(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2013-14 fiscal year:

Total Revenues: College



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 position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College's finances, and include activities for the following entities:

- Edison State College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services. In addition, the College operates two collegiate high schools whose activities are also reflected herein.
- 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, 2014 and 2013 respectively.

- 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 are presented in the MD&A and accompanying financial statements are for the fiscal years ended March 31, 2014, and 2013, respectively.

THE STATEMENT OF NET POSITION

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and net position of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. Assets, plus deferred outflows of resources, less liabilities, equals net position, which is one indicator of the College's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the College's financial condition.

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

Condensed Statement of Net Position at
(In Thousands)

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Assets				
Current Assets	$ 32,058	$ 25,228	$ 1,231	$ 191
Capital Assets, Net	154,481	156,066		
Other Noncurrent Assets	20,742	23,253	47,722	46,866
Total Assets	207,281	204,547	48,953	47,057
Deferred Outflows of Resources	1,517	2,301		
Liabilities				
Current Liabilities	6,410	5,184	3,145	3,535
Noncurrent Liabilities	44,926	46,314	1,100	1,100
Total Liabilities	51,336	51,498	4,245	4,635
Net Position				
Net Investment in Capital Assets	117,966	116,899		
Restricted	26,268	21,889	41,323	38,552
Unrestricted	13,228	16,562	3,385	3,870
Total Net Position	$ 157,462	$ 155,350	$ 44,708	$ 42,422

Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities.

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

The statement of revenues, expenses, and changes in net position presents the College's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the activities of the College and its discretely presented component unit for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Operating Revenues	$ 20,317	$ 23,717	$ 1,124	$ 860
Less, Operating Expenses	90,227	90,915	3,488	2,987
Operating Income (Loss)	(69,910)	(67,198)	(2,364)	(2,127)
Net Nonoperating Revenues	63,649	58,219	4,413	3,151
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(6,261)	(8,979)	2,049	1,024
Other Revenues, Expenses, Gains, or Losses	8,670	5,242	237	48
Net Increase (Decrease) In Net Position	2,409	(3,737)	2,286	1,072
Net Position, Beginning of Year	155,350	159,087	42,422	41,350
Adjustments to Beginning Net Position	(297)			
Net Position, Beginning of Year, as Restated	155,053	159,087	42,422	41,350
Net Position, End of Year	$ 157,462	$ 155,350	$ 44,708	$ 42,422

During the fiscal year ended June 30, 2014 the College adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities.* As a result of the implementation of GASB 65, the College reported a change in accounting principle and restated its beginning net position balance by the amount of unamortized bond issuance costs. The net effect of the restatement was a $297 thousand decrease in beginning net position balance for the fiscal year ended June 30, 2013.

Operating Revenues

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

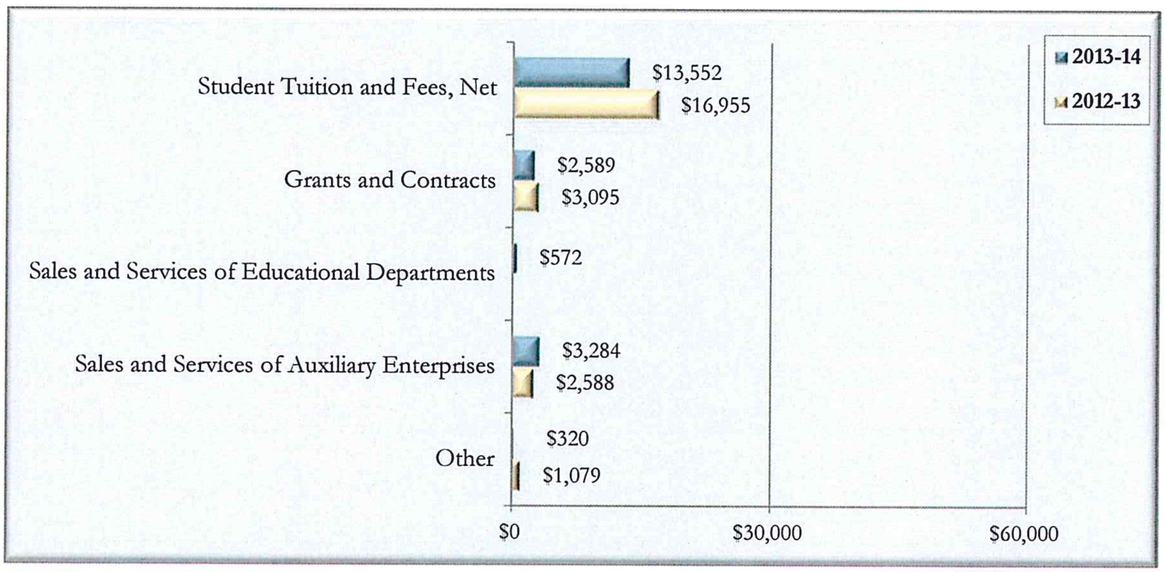
The following summarizes the operating revenues for the College and its discretely presented component unit by source that were used to fund operating activities for the respective fiscal years ended:

Operating Revenues
For the Fiscal Years Ended
(In Thousands)

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Student Tuition and Fees, Net	$ 13,552	$ 16,955	$	$
Grants and Contracts	2,589	3,095	1,098	834
Sales and Services of Educational Departments	572			
Sales and Services of Auxiliary Enterprises	3,284	2,588		
Other	320	1,079	26	26
Total Operating Revenues	$ 20,317	$ 23,717	$ 1,124	$ 860

The following chart presents the College's operating revenues for the 2013-14 and 2012-13 fiscal years:

Operating Revenues: College
(In Thousands)



College operating revenues decreased by $3.4 million, or 14.3 percent, due to a decrease in net student tuition and fees. Total gross student tuition and fees totaled $35.6 million for the 2013-14 fiscal year and was consistent with gross student tuition and fees for the 2012-13 fiscal year. However, a tuition allowance, which represents the difference between the stated charges for goods and services provided by the College and the amount that is actually paid by a student or third party making payments on behalf of a student increased by $3.3 million. The reduction of gross student fees by the tuition allowance and a decrease in student enrollment resulted in the $3.4 million decrease in net student tuition and fees for the 2013-14 fiscal year.

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 position and has displayed the functional classification in the notes to financial statements.

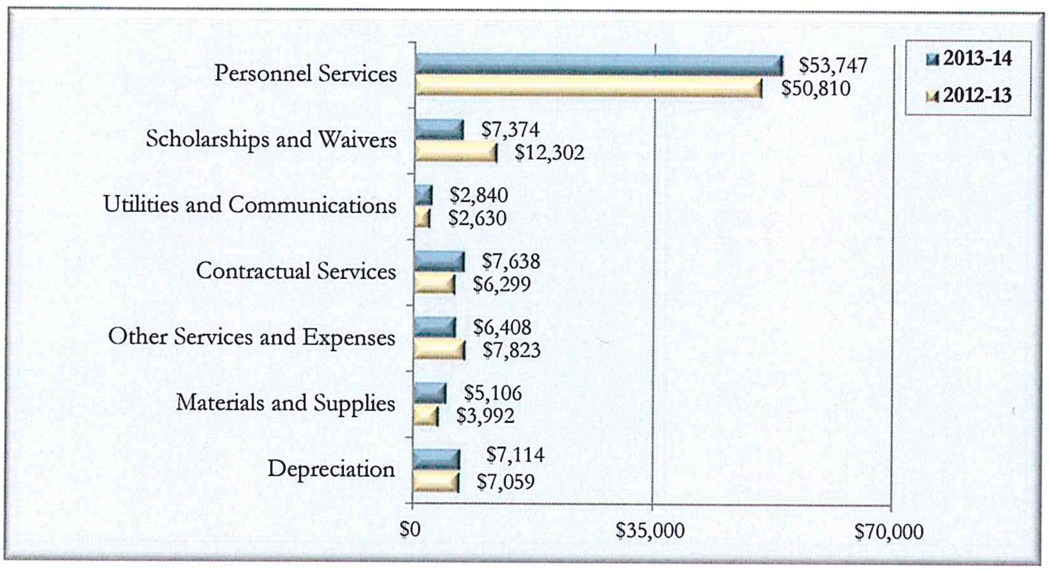
The following summarizes operating expenses by natural classification for the College and its discretely presented component unit for the respective fiscal years ended:

Operating Expenses
For the Fiscal Years Ended
(In Thousands)

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Personnel Services	$ 53,747	$ 50,810	$	$
Scholarships and Waivers	7,374	12,302	1,476	1,226
Utilities and Communications	2,840	2,630		
Contractual Services	7,638	6,299	717	1,057
Other Services and Expenses	6,408	7,823	1,295	704
Materials and Supplies	5,106	3,992		
Depreciation	7,114	7,059		
Total Operating Expenses	$ 90,227	$ 90,915	$ 3,488	$ 2,987

The following chart presents the College's operating expenses for the 2013-14 and 2012-13 fiscal years:

Operating Expenses: College
(In Thousands)



Total operating expenses for the 2013-14 fiscal year were $90.2 million, a decrease of 0.7 million, or 0.8 percent, compared to the 2012-13 fiscal year. Changes to operating expenses were the result of the following factors:

- Personnel services (compensation and employee benefits) increased $2.9 million, or 5.8 percent, which is attributed to a two percent salary increase, an increase in full-time positions, significant increases in employee benefit rates, and an increase in the liability for compensated absences.
- Scholarships and waivers decreased $4.9 million, or 40.1 percent, due to a decline in student enrollment and change in student need.

- Contractual services increased $1.3 million, or 21.3 percent, due to an increase in contractual services.
- Other services and expenses decreased by $1.4 million, or 18.1 percent, due to a decrease in other expenses.
- Materials and supplies increased by $1.1 million, or 27.9 percent, due to increases in expenditures for minor capital assets.

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 2013-14 and 2012-13 fiscal years:

Nonoperating Revenues (Expenses): College
(In Thousands)

	2013-14	2012-13
State Noncapital Appropriations	$ 34,345	$ 28,650
Federal and State Student Financial Aid	26,962	28,205
Gifts and Grants	3,535	1,877
Investment Income	529	253
Other Nonoperating Revenues	21	582
Interest on Capital Asset-Related Debt	(1,608)	(1,348)
Other Nonoperating Expenses	(135)	
Net Nonoperating Revenues	$ 63,649	$ 58,219

Changes in nonoperating revenues were due to an increase in State noncapital appropriations of $5.7 million, or 19.9 percent. Federal and State student financial aid decreased by $1.2 million, or 4.4 percent, as a result of a decline in student enrollment. Gifts and grants increased by $1.7 million, or 88.3 percent, as a result of additional funds provided by the Foundation and other private donations.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2013-14 and 2012-13 fiscal years:

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

	2013-14	2012-13
State Capital Appropriations	$ 4,864	$ 2,809
Capital Grants, Contracts, Gifts, and Fees	3,231	2,433
Other Revenues	575	
Total	$ 8,670	$ 5,242

State capital appropriations increased by $2.1 million, or 73.2 percent, primarily due to an increase in the State's Public Education Capital Outlay funding.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections. 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.

The following summarizes the College's cash flows for the 2013-14 and 2012-13 fiscal years:

Condensed Statement of Cash Flows: College
(In Thousands)

	6-30-14	6-30-13
Cash Provided (Used) by:		
Operating Activities	$ (62,516)	$ (60,484)
Noncapital Financing Activities	65,378	58,965
Capital and Related Financing Activities	(1,238)	2,835
Investing Activities	578	1,721
Net Increase (Decrease) in Cash and Cash Equivalents	2,202	3,037
Cash and Cash Equivalents, Beginning of Year	20,164	17,127
Cash and Cash Equivalents, End of Year	$ 22,366	$ 20,164

Major sources of cash inflows came from State noncapital appropriations ($34.3 million), Federal and State Student Financial Aid ($27 million), Federal direct student loan program receipts ($16.7million), and net student tuition and fees ($13.9 million). Major uses of funds were for payments to employees ($43 million), payments to suppliers for goods and services ($19 million), disbursements to students for Federal direct student loans ($16.7 million), and payments for employee benefits ($10 million).

The overall increase in cash was $2.2 million, or 10.9 percent over the previous fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2014, the College had $232.2 million in capital assets, less accumulated depreciation of $77.7 million, for net capital assets of $154.5 million. Depreciation charges for the current fiscal year totaled $7.1 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

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

Capital Assets	2014	2013
Land	$ 3,491	$ 3,491
Art Collections	503	297
Construction in Progress	1,865	2,181
Buildings	203,441	198,610
Other Structures and Improvements	13,687	13,312
Furniture, Machinery, and Equipment	9,193	9,439
Total Capital Assets	232,180	227,330
Less, Accumulated Depreciation	(77,699)	(71,264)
Capital Assets, Net	$154,481	$ 156,066

CAPITAL EXPENSES AND COMMITMENTS

Construction commitments through June 30, 2014, included the following projects: Lee Campus building S remodel for $910 thousand, Lee Campus building G renovation for $1 million, Lee Campus building Q renovation for $519 thousand, and minor projects on the Lee Campus for $470 thousand. The College's major construction commitments at June 30, 2014, are as follows:

	Amount (In Thousands)
Total Committed	$ 2,899
Completed to Date	(1,865)
Balance Committed	$ 1,034

Additional information about the College's construction commitments is presented in the notes to financial statements.

DEBT ADMINISTRATION

As of June 30, 2014, the College had approximately $40.5 million in outstanding bonds payable, comprised of Florida Department of Education Capital Improvement Revenue Bonds (Revenue Bonds) issued on behalf of the College with outstanding balances totaling $13.6 million and the Student Housing Qualified Bonds issued by the Edison State College Financing Corporation with outstanding balances of $25.1 million. The Revenue Bonds mature serially and are secured by the College's capital improvement fees. The College also holds State Board of Education Capital Outlay Bonds with outstanding balances totaling $1.8 million 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

The College is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on its financial position or operations during the 2014-15 fiscal year. The College's financial outlook for the future continues to be positive. The level of State support, compensation and benefit increases, and student and fee increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. The level of State support is one of the key factors influencing the College's activities. Financial and political support from State government is expected to increase as economic conditions improve.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to Dr. Gina Doeble, CPA, Vice President of Administrative 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 POSITION
June 30, 2014

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 6,229,151	$ 147,974
Restricted Cash and Cash Equivalents	2,796,022	24,876
Investments	6,177,257	918,918
Restricted Investment	4,546,531	
Accounts Receivable, Net	4,209,545	133,290
Notes Receivable, Net	181,884	
Due from Other Governmental Agencies	6,773,540	
Prepaid Expenses	1,144,303	6,435
Total Current Assets	32,058,233	1,231,493
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	13,341,444	
Investments	5,408,869	2,410,428
Restricted Investments	1,991,457	41,148,102
Depreciable Capital Assets, Net	148,621,549	
Nondepreciable Capital Assets	5,859,684	
Other Assets		4,163,263
Total Noncurrent Assets	175,223,003	47,721,793
TOTAL ASSETS	207,281,236	48,953,286
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated Decrease in Fair Value of Hedging Derivatives	1,516,563	
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,778,629	239,713
Accrued Interest Payable	28,286	
Salary and Payroll Taxes Payable	1,232,955	
Retainage Payable	138,991	
Due to Other Governmental Agencies	2,365	
Unearned Revenue	563,254	2,905,414
Deposits Held for Others	158,605	
Long-Term Liabilities - Current Portion:		
Bonds Payable	1,343,990	
Special Termination Benefits Payable	129,560	
Compensated Absences Payable	33,445	
Total Current Liabilities	6,410,080	3,145,127
Noncurrent Liabilities:		
Bonds Payable	39,132,718	
Derivative Instrument Liability	1,538,254	
Notes Payable		1,100,000
Special Termination Benefits Payable	149,935	
Compensated Absences Payable	3,925,939	
Other Postemployment Benefits Payable	179,240	
Total Noncurrent Liabilities	44,926,086	1,100,000
TOTAL LIABILITIES	51,336,166	4,245,127

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2014

	College	Component Unit
NET POSITION		
Net Investment in Capital Assets	$ 117,965,543	$
Restricted:		
Nonexpendable:		
Endowment	818,849	18,212,366.00
Expendable:		
Grants and Loans	1,807,029	
Scholarships	2,151,453	23,110,223.00
Capital Projects	19,676,420	
Debt Service	1,814,739	
Unrestricted	13,227,600	3,385,570.00
TOTAL NET POSITION	$ 157,461,633	$ 44,708,159

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 POSITION
For the Fiscal Year Ended June 30, 2014

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $22,008,773	$ 13,551,745	$
Federal Grants and Contracts	1,978,709	
Nongovernmental Grants and Contracts	610,347	1,098,389
Sales and Services of Educational Departments	571,709	
Auxiliary Enterprises	3,283,963	
Other Operating Revenues	320,478	26,000
Total Operating Revenues	20,316,951	1,124,389
EXPENSES		
Operating Expenses:		
Personnel Services	53,746,659	
Scholarships and Waivers	7,373,627	1,476,016
Utilities and Communications	2,840,661	
Contractual Services	7,638,425	716,840
Other Services and Expenses	6,407,633	1,295,196
Materials and Supplies	5,105,660	
Depreciation	7,114,409	
Total Operating Expenses	90,227,074	3,488,052
Operating Loss	(69,910,123)	(2,363,663)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	34,345,365	
Federal and State Student Financial Aid	26,962,122	
Gifts and Grants	3,534,450	
Investment Income	528,421	4,412,632
Other Nonoperating Revenues	21,026	
Interest on Capital Asset-Related Debt	(1,607,517)	
Other Nonoperating Expenses	(135,073)	
Net Nonoperating Revenues	63,648,794	4,412,632
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(6,261,329)	2,048,969
State Capital Appropriations	4,864,478	
Capital Grants, Contracts, Gifts, and Fees	3,230,874	
Other Revenues	575,225	
Increases in Permanent Endowment		237,061
Total Other Revenues	8,670,577	237,061
Increase in Net Position	2,409,248	2,286,030
Net Position, Beginning of Year	155,349,975	42,422,129
Adjustment to Beginning Net Position	(297,590)	
Net Position, Beginning of Year, as Restated	155,052,385	42,422,129
Net Position, End of Year	$ 157,461,633	$ 44,708,159

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, 2014

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 13,855,125
Grants and Contracts	1,474,504
Payments to Suppliers	(19,042,135)
Payments for Utilities and Communications	(2,840,661)
Payments to Employees	(43,062,018)
Payments for Employee Benefits	(9,981,772)
Payments for Scholarships	(7,373,627)
Loans Issued to Students	(180,452)
Collection on Loans to Students	170,187
Auxiliary Enterprises, Net	3,177,474
Sales and Service of Educational Departments	571,709
Other Receipts	715,344
Net Cash Used by Operating Activities	(62,516,322)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	34,345,365
Federal and State Student Financial Aid	26,962,122
Federal Direct Loan Program Receipts	16,692,239
Federal Direct Loan Program Disbursements	(16,692,239)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	3,613,956
Other Nonoperating Receipts	456,391
Net Cash Provided by Noncapital Financing Activities	65,377,834
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	4,054,614
Capital Grants and Gifts	3,230,874
Proceeds from Sale of Capital Assets	11,333
Purchases of Capital Assets	(5,540,652)
Principal Paid on Capital Debt and Leases	(1,333,351)
Interest Paid on Capital Debt and Leases	(1,660,798)
Net Cash Used by Capital and Related Financing Activities	(1,237,980)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,523,391
Purchase of Investments	(1,494,861)
Investment Income	550,111
Net Cash Provided by Investing Activities	578,641
Net Increase in Cash and Cash Equivalents	2,202,173
Cash and Cash Equivalents, Beginning of Year	20,164,444
Cash and Cash Equivalents, End of Year	$ 22,366,617

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (69,910,123)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	7,114,409
Changes in Assets and Liabilities:	
Receivables, Net	(34,000)
Notes Receivable, Net	(10,265)
Due From Other Governmental Agencies	(1,114,448)
Prepaid Expenses	(554,303)
Due to Other Governmental Agencies	(105)
Salaries and Payroll Taxes Payable	281,845
Accounts Payable	553,788
Unearned Revenue	340,990
Deposits Held for Others	113,021
Special Termination Benefits Payable	15,715
Compensated Absences Payable	643,293
Other Postemployment Benefits Payable	43,861
NET CASH USED BY OPERATING ACTIVITIES	$ (62,516,322)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES

Unrealized losses on investments were recognized as an decrease to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (79,513)
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (6,546)

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, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Edison State College[1], 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. 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 Statues, 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 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), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

[1] The College's Board of Trustees approved the name change from Edison State College to Florida SouthWestern State College effective July 1, 2014, pursuant to Section 1001.60(2)(b), Florida Statutes.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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, 2014.

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 Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Other Required Supplementary Information

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and assets, deferred outflows of resources, 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, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The College follows GASB standards of accounting and financial reporting.

The College's component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follow GASB standards of accounting and financial reporting.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, cash invested overnight in a money market mutual fund, and cash placed with the State Treasury Special Purpose Investment Account (SPIA) and State Board of Administration (SBA) Florida PRIME investment 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 State Treasury SPIA and SBA Florida PRIME investment pool to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2014, the College reported as cash equivalents at fair value $42,340 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, had an effective duration of 2.57 years, and had a fair value factor of

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

1.0074 at June 30, 2014. 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, 2014, the College reported as cash equivalents $167,401 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, 2014, 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 40 days as of June 30, 2014. 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.

2. ADJUSTMENT TO BEGINNING NET POSITION

The beginning net position of the College decreased by $297,590 due to the adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 requires debt issuance costs, which were previously deferred and amortized, to be expensed when incurred. Previously deferred bond issuance costs totaled $297,590.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

3. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the 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, 2014, are reported at fair value, as follows:

Investment Type	Amount
United State Treasury Securities	$ 9,685,397
Obligations of United States Government Agencies and Instrumentalities	4,040,040
State Board of Administration Fund B Surplus Funds Trust Fund	19,354
State Board of Administration Debt Service Accounts	1,175,738
State and Municipal Bonds	524,146
Corporate Bonds	1,151,773
Foreign Obligations	711,947
Mutual Funds	815,719
Total College Investments	$ 18,124,114

State Board of Administration Fund B Surplus Funds Trust Fund

The 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, 2014, the College reported investments at fair value of $19,354 in Fund B. The College's investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.84438408 at June 30, 2014. The weighted-average life (WAL) of Fund B at June 30, 2014, was 2.86 years. A portfolio's WAL

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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, 2014. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

State Board of Administration Debt Service Accounts

The College reported investments totaling $1,175,738 at June 30, 2014, 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 other investments at June 30, 2014, totaling $16,113,303, consisted of United States Treasury Securities of $9,685,397, Obligations of United States Government Agencies and Instrumentalities of $4,040,040, foreign obligations of $711,947, State and Municipal bonds of $524,146, and corporate bonds of $1,151,773 reported at fair value. The College also had investments at June 30, 2014, totaling $815,719 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 non-operating 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, 2014, the Federal agency obligations had an effective duration of 1.85 years. The College's investments in mutual funds at June 30, 2014, 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 duration of its fixed-income portfolio up to 3 years. The foreign obligations, State and Municipal bonds, and corporate bonds have maturities between 1 to 3 years.

Investment Maturities	Percentage of Portfolio
Less than 1 year	
1-3 years	100.00
Total	100.00

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 address credit risk. The College's investments in Federal agency obligations at June 30, 2014, were rated between AA+ and Aaa by Standard & Poor's and Moody's at

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

June 30, 2014. The College's investments in mutual funds at June 30, 2014, were rated between Baa and Aaa by Moody's and Standard & Poor's at June 30, 2014.

It is the Financing Corporation's policy that the fixed income portfolio must be rated at A or higher for corporate bond investments and AA or higher for all other investments by any of the three rating services.

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 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.

Rating	Percent of Portfolio
Aaa	18.00
Aa	31.00
A	51.00
Total	100.00

As of June 30, 2014, 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. The investments 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 policy 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 non-negotiable interest-bearing time certificates of deposit with a 5 percent limit on individual issuers.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

The Financing Corporation policy limits investments to United States Treasury Securities, Obligations of United States Agencies and Instrumentalities, and corporate bonds. The maximum exposure to A and AA rated bonds is 25 percent of the portfolio's market value. United States Treasury Securities and 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 the United States 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 is United States Treasury Securities, Obligations of United States Agencies and Instrumentalities, highly rated corporate bonds, municipal bonds, and widely traded mutual funds.

Component Unit Investments

Investments held by the Edison State College Foundation, Inc., at March 31, 2014, consisted of money market and mutual funds and are reported at fair value, as follows:

Investment Type	Amount
Money Market Funds	$ 23,440
Mutual Funds:	
Hedge	6,413,077
Equities (1)	22,908,673
Bonds	15,132,258
Total Component Unit Investments	$ 44,477,448

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, 2014, the maturities of the Foundation's mutual funds-bonds investments of $15,132,258 by percentage of its portfolio are presented in the following table:

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Investment Maturities	Percentage of Portfolio
Less than 1 year	16.22
1 - 3 years	18.56
4 - 5 years	22.92
5 - 7 years	18.40
7 - 9 years	11.23
9 or more years	12.67
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 Moody's or Standard & Poor's rating services, respectively. The high-yield portion of the fixed-income portfolio will consist of below investment grade securities. There is no bottom limit on the ratings of the high-yield portfolio.

The Foundation's fixed-income investments at March 31, 2014, were rated as follows:

Rating	Percent of Portfolio
Aaa	64.03
Aa	4.22
A	13.30
Baa	14.75
Ba and below	2.82
Not Rated	0.88
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 fiscal year due to default by counterparties to investment transactions.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 of 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.

4. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a $951,544 allowance for doubtful accounts.

5. NOTES RECEIVABLE

Notes receivable represent student loans made under the short-term loan program of $211,366. Notes receivable are reported net of a $29,482 allowance for doubtful notes.

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

As of June 30, 2014, the College reported the following amounts as due from other governmental agencies:

Description	Amount
Public Education Capital Outlay	$ 3,303,291
Florida Prepaid College Fund	1,638,050
Miscellaneous	625,957
Tuition and Fees	615,483
Federal Student Financial Aid	590,759
Total Due From Other Governmental Agencies	**$ 6,773,540**

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, is shown below:

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 3,491,190	$	$	$ 3,491,190
Art Collections	297,743	205,350		503,093
Construction in Progress	2,181,030	5,018,475	5,334,104	1,865,401
Total Nondepreciable Capital Assets	$ 5,969,963	$ 5,223,825	$ 5,334,104	$ 5,859,684
Depreciable Capital Assets:				
Buildings	$198,609,753	$ 4,831,500	$	$203,441,253
Other Structures and Improvements	13,311,858	374,618		13,686,476
Furniture, Machinery, and Equipment	9,438,987	444,142	689,926	9,193,203
Total Depreciable Capital Assets	221,360,598	5,650,260	689,926	226,320,932
Less, Accumulated Depreciation:				
Buildings	54,529,115	5,566,366		60,095,481
Other Structures and Improvements	10,221,478	632,227		10,853,705
Furniture, Machinery, and Equipment	6,513,485	915,816	679,104	6,750,197
Total Accumulated Depreciation	71,264,078	7,114,409	679,104	77,699,383
Total Depreciable Capital Assets, Net	$150,096,520	$ (1,464,149)	$ 10,822	$148,621,549

8. UNEARNED REVENUE

Unearned revenue consist of student dorm fees of $563,254 paid to the Financing Corporation that was received prior to fiscal year-end related to subsequent accounting periods.

9. UNEARNED 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, 2014, the following amounts were reported as unearned revenue:

Description	Amount
Irrevocable Charitable Remainder Annuity Trust	$ 28,450
Pooled Gift Annuity	576,964
Life Estate Trust	2,300,000
Total Unearned Revenue	$ 2,905,414

10. DEFERRED OUTFLOW OF RESOURCES

The College's blended component unit, the Financing Corporation, entered into an interest swap agreement in connection with its tax-exempt loan to manage the risk of rising interest rates on its variable rate-based debt. The deferred outflow of resources includes the effect of deferring accumulated decreases in fair value of a hedging derivative related to this interest rate swap agreement. The Bonds Payable section of Note 11 below includes a further discussion of the swap agreement.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

11. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2014, 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, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 41,810,059	$	$ 1,333,351	$ 40,476,708	$ 1,343,990
Derivative Instrument Liability	2,300,988		762,734	1,538,254	
Special Termination Benefits Payable	263,780	150,899	135,184	279,495	129,560
Compensated Absences Payable	3,316,091	839,909	196,616	3,959,384	33,445
Other Postemployment Benefits Payable	135,379	115,193	71,332	179,240	
Total Long-Term Liabilities	$ 47,826,297	$ 1,106,001	$ 2,499,217	$ 46,433,081	$ 1,506,995

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

- 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.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2008A	$ 1,240,000	4.25 - 5.0	2028
Series 2005B	35,000	5.0	2018
Series 2005A, Refunding	200,000	5.0	2017
Series 2005A, New Money	220,000	4.0-5.0	2025
Series 2004A	90,000	4.0 - 4.625	2024
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2010A	13,570,000	3.0 - 4.375	2031
Total	$ 15,355,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2015	$ 775,000	$ 616,928	$ 1,391,928
2016	800,000	590,528	1,390,528
2017	815,000	559,928	1,374,928
2018	800,000	525,427	1,325,427
2019	825,000	492,065	1,317,065
2020-2024	4,695,000	1,915,772	6,610,772
2025-2029	5,520,000	849,326	6,369,326
2030-2031	1,125,000	24,615	1,149,615
Total	$ 15,355,000	$ 5,574,589	$ 20,929,589

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 (Series 2010) for the construction of a 405-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 rate as of March 31, 2014 was 1.308 percent.

The BQ provides for draws until all funds associated with the BQ have been exhausted. As of March 31, 2014, the Financing Corporation had drawn $25,940,690 and made repayments in the amount of $818,982. The bond payable amount at March 31, 2014 was $25,121,708.

The following is a schedule of future debt service requirements for the BQ:

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Fiscal Year Ending March 31	LCDA Industrial Development Revenue Bond Principal	Interest	Total
2015	$ 568,990	$ 938,705	$ 1,507,695
2016	587,936	917,482	1,505,418
2017	612,539	898,001	1,510,540
2018	635,597	872,704	1,508,301
2019	659,517	848,997	1,508,514
2020-2024	3,684,728	3,859,476	7,544,204
2025-2029	4,435,277	3,119,510	7,554,787
2030-2034	5,335,654	2,225,413	7,561,067
2035-2039	6,418,836	1,152,058	7,570,894
2040-2041	2,182,634	112,867	2,295,501
Total	$ 25,121,708	$ 14,945,213	$ 40,066,921

Tenant revenues collected are pledged first to be used for debt service. The total amount of rental revenue recorded during the year ended March 31, 2014 was $2,057,384.

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, 2014, there was $1,770,799 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 Bank and Trust Company for the purpose of hedging its variable interest rate risk on the tax-exempt BQ loan. The Swap provides that the Corporation pay interest at 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 of resources on the statement of net position. As of March 31, 2014, the Corporation was not exposed to credit risk on this interest rate swap agreement because it had a negative fair value of $1,538,254, which is reported as a derivative instrument liability on the statement of net position. This liability reflects the settlement amount the Corporation would have to pay on March 31, 2014, to cancel the interest rate swap agreement. The liability is estimated on valuation models. If interest rates change and the fair value of the interest rate swap agreement becomes positive, the Corporation would have a gross exposure to credit risk in the amount of the derivatives' fair value. The fair value balances and notional amounts of derivative instruments for the fiscal year then ended March 31, 2014, as reported in the financial statements are presented below:

Interest Rate Swap	Changes in Fair Value Classification	Amount	Fair Value at March 31, 2014 Classification	Amount	Notional Amount
Cash Flow Hedges:					
Pay-Fixed Interest Rate Swap	Deferred Outflow of Resources	$ 762,734	Derivative Instrument Interest Rate Swap	$ 1,538,254	$ 25,481,018

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

Termination Risk. The Financing 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 Financing Corporation is exposed to rollover risk on this hedging instrument as it is a debt hedge that matures or may terminated prior to the maturity of the hedged debt. When this instrument terminates, the Corporation will be re-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 nine employees of $279,495 at June 30, 2014, of which $129,560 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, 2014, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $3,959,384. The current portion of the compensated absences liability, $33,445, 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 Plan Program participants to a deferred compensation annuity program.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for 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 College's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The College does

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the Plan and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. 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 2013-14 fiscal year, 69 retirees received postemployment healthcare benefits, and 86 retirees received postemployment life insurance benefits. The College provided required contributions of $71,332 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $411,714, which represents 1.4 percent of covered payroll.

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 fiscal 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)	$ 79,378
Amortization of Unfunded Actuarial Accrued Liability	34,913
Annual Required Contribution	114,291
Interest on Net OPEB Obligation	5,415
Adjustment to Annual Required Contribution	(4,513)
Annual OPEB Cost (Expense)	115,193
Contribution Toward the OPEB Cost	(71,332)
Increase in Net OPEB Obligation	43,861
Net OPEB Obligation, Beginning of Year	135,379
Net OPEB Obligation, End of Year	$ 179,240

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, 2014, and for the two preceding fiscal years, were as follows:

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	$ 91,932	40.4%	$ 85,597
2012-13	92,297	46.1%	135,379
2013-14	115,193	61.9%	179,240

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was $1,047,396, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $1,047,396, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $29,665,206 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.5 percent.

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

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

The College's OPEB actuarial valuation as of July 1, 2013, used the projected unit credit actuarial cost method to estimate the actuarial accrued liability as of June 30, 2014, and the College's 2013-14 fiscal year ARC. 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, an inflation rate of 3 percent per year, and an annual healthcare cost trend rate of 8.50 percent pre-Medicare and 6.25 percent Medicare for the 2013-14 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 5 years for pre-Medicare and 4 years for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2014, was 23 years.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

12. 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 plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS 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 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 2013-14 fiscal year were as follows:

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Florida Retirement System, Special Risk	3.00	19.06
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 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, 2012, June 30, 2013, and June 30, 2014, totaled $1,365,094, $1,584,077, and $2,180,763, respectively, which were equal to the required contributions for each fiscal year.

There were 258 College participants in the Investment Plan during the 2013-14 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled $985,979, which was equal to the required contribution for the 2013-14 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' Web site (www.myflorida.com). 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 Division of Retirement's Web site (www.frs.myflorida.com).

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 eight 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, 5.15 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, 2014

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 41 College participants during the 2013-14 fiscal year. The College's contributions to the Program totaled $147,788 and employee contributions totaled $86,091 for the 2013-14 fiscal year.

Senior Management Service Local Annuity Program. Section 121.055(1)(b)2., Florida Statutes, and Florida Retirement System 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 altogether 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 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 defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. The College contributes 14 percent of the employee's salary to the Local Annuity Program. The participants may make contributions toward the LAP by way of salary reduction or by deduction of a percentage of the employee's gross compensation not to exceed the percentage contributed by the employer.

There were seven College participants during the 2013-14 fiscal year. The College's contributions to the Annuity Program totaled $171,217 for the 2013-14 fiscal year.

13. 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 $115,840 in salaries for nine employees during the 2013-14 fiscal year for other termination benefits.

14. 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 2013-14 fiscal year, the College matched one dollar for every dollar deferred by the employee 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 2013-14 fiscal year, the College contributed $479,995 as matching funds under the Plan.

15. CONSTRUCTION COMMITMENTS

The College's construction commitments at June 30, 2014, are as follows:

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Project Description	Total Commitment	Completed to Date	Balance Committed
Lee Campus - Bldg S First Floor Remodel			
Construction	$ 755,748	$ 722,327	$ 33,421
Architect	54,345	54,345	
Direct Materials	99,834	96,504	3,330
Total	909,927	873,176	36,751
Lee Campus - Bldg G HVAC & Roof			
Construction	837,146	580,833	256,313
Architect	43,141	31,350	11,791
Direct Materials	121,050	115,320	5,730
Total	1,001,337	727,503	273,834
Lee Campus - Bldg Q Renovations & Remodeling			
Construction	468,700		468,700
Architect	36,680	26,691	9,989
Direct Materials	13,300		13,300
Total	518,680	26,691	491,989
Lee Campus - Minor Projects			
Construction	413,452	208,832	204,620
Architect	30,964	26,264	4,700
Direct Materials	25,090	2,935	22,155
Total	469,506	238,031	231,475
Total	$ 2,899,450	$ 1,865,401	$ 1,034,049

16. OPERATING LEASE COMMITMENTS

The College rents office equipment and computers under operating leases, which expire on various dates through the year 2016. These leased assets and the related commitments are not reported on the College's statement of net position. 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 these noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2015	$ 42,847
2016	2,574
Total Minimum Payments Required	$ 45,421

17. 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)

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to $125 million to February 28, 2014, and up to $150 million from March 1, 2015. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

The Financing Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settlement claims have not exceeded commercial coverage in any of the last three fiscal years.

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 position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

Functional Classification	Amount
Instruction	$ 30,089,772
Public Services	410,252
Academic Support	6,694,735
Student Services	9,770,983
Institutional Support	16,669,809
Operation and Maintenance of Plant	10,402,461
Scholarships and Waivers	7,296,647
Depreciation	7,114,409
Auxiliary Enterprises	1,778,006
Total Operating Expenses	$ 90,227,074

19. BLENDED COMPONENT UNIT

The College has one blended component unit as discussed in note 1. The following financial information is presented for the College's blended component unit:

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Condensed Statement of Net Position

	Edison State College Financing Corporation	College	Eliminations	Total Primary Government
Assets:				
Other Current Assets	$ 2,798,859	$ 29,665,898	$ (406,524)	$ 32,058,233
Capital Assets, Net	20,888,061	133,593,172		154,481,233
Other Noncurrent Assets	7,160,314	13,581,456		20,741,770
Total Assets	30,847,234	176,840,526	(406,524)	207,281,236
Deferred Outflows of Resources	1,516,563			1,516,563
Liabilities:				
Other Current Liabilities	1,224,345	5,592,259	(406,524)	6,410,080
Noncurrent Liabilities	26,090,972	18,835,114		44,926,086
Total Liabilities	27,315,317	24,427,373	(406,524)	51,336,166
Net Position:				
Net Investment in Capital Assets	(272,627)	118,238,170		117,965,543
Restricted - Nonexpendable		818,849		818,849
Restricted - Expendable	1,770,799	23,678,842		25,449,641
Unrestricted	3,550,308	9,677,292		13,227,600
Total Net Position	$ 5,048,480	$ 152,413,153	$	$ 157,461,633

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

	Edison State College Financing Corporation	College	Eliminations	Total Primary Government
Operating Revenues	$ 2,057,384	$ 18,259,567		$ 20,316,951
Depreciation Expense	(571,771)	(6,542,638)		(7,114,409)
Other Operating Expenses	(922,825)	(82,189,840)		(83,112,665)
Operating Income (Loss)	562,788	(70,472,911)		(69,910,123)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	669,051	64,722,333		65,391,384
Interest Expense	(950,090)	(657,427)		(1,607,517)
Other Nonoperating Expense	(79,513)	(55,560)		(135,073)
Net Nonoperating Revenues (Expenses)	(360,552)	64,009,346		63,648,794
Other Revenues, Expenses, Gains, and Losses		8,670,577		8,670,577
Increase in Net Position	202,236	2,207,012		2,409,248
Net Position, Beginning of Year	5,143,834	150,206,141		155,349,975
Adjustment to Beginning Net Position (1)	(297,590)			(297,590)
Net Position, Beginning of Year, as Restated	4,846,244	150,206,141		155,052,385
Net Position, End of Year	$ 5,048,480	$ 152,413,153	$	$ 157,461,633

Note (1): As discussed in Note 2.

EDISON STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Condensed Statement of Cash Flows

	Edison State College Financing Corporation	College	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	$ 1,046,225	$ (63,562,547)		$ (62,516,322)
Noncapital Financing Activities	533,025	64,844,809		65,377,834
Capital and Related Financing Activities	(1,551,722)	313,742		(1,237,980)
Investing Activities	216,506	362,135		578,641
Net Increase in Cash and Cash Equivalents	244,034	1,958,139		2,202,173
Cash and Cash Equivalents, Beginning of Year	3,818,821	16,345,623		20,164,444
Cash and Cash Equivalents, End of Year	$ 4,062,855	$ 18,303,762	$	$ 22,366,617

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]
7/1/2009	$ -	$ 421,101	$ 421,101	0%	$ 25,684,249	1.6%
7/1/2011	-	580,062	580,062	0%	25,052,174	2.3%
7/1/2013	-	1,047,396	1,047,396	0%	29,665,206	3.5%

Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the 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, 2013, unfunded actuarial accrued liability of $1,047,396 was significantly higher than the July 1, 2011, liability of $580,062 as a result of the following:

- Demographic assumptions (rates of termination, 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.
- 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.
- The conditions for retirement eligibility and rates of retirement were supplemented to accommodate those employees hired on or after July 1, 2011.

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON 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*

Report on the Financial Statements

We have audited, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 4, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who 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 of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of the **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 solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

David W. Martin, CPA
Tallahassee, Florida
December 4, 2014