

# FLORIDA KEYS COMMUNITY COLLEGE

---

## Financial Audit

For the Fiscal Year Ended  
June 30, 2009



## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2008-09 fiscal year are listed below:

Ed Scales, Chair  
Dr. Ann L. Henderson, Vice Chair to 6-01-09 (1)(2)  
Kim Bassett  
Carey D. Goodman to 6-25-09 (1)(3)  
Spencer C. Slate

Dr. Jill Landesberg-Boyle, President

Notes: (1) Board members served beyond the end of their term, May 31, 2009.  
(2) Vice Chair position remained vacant from June 2, 2009, through June 30, 2009.  
(3) Position remained vacant from June 26, 2009, through June 30, 2009.

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 Pierre Chammas and the audit was supervised by Ramon A. Gonzalez, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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

**FLORIDA KEYS COMMUNITY COLLEGE  
TABLE OF CONTENTS**

|  | <b>PAGE<br/>NO.</b> |
|--|---------------------|
| <b>EXECUTIVE SUMMARY</b> .....   | i                   |
| <b>INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS</b> .....  | 1                   |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....  | 3                   |
| <b>BASIC FINANCIAL STATEMENTS</b>  |                     |
| Statement of Net Assets .....  | 11                  |
| Statement of Revenues, Expenses, and Changes in Net Assets.....  | 13                  |
| Statement of Cash Flows.....   | 14                  |
| Notes to Financial Statements .....  | 16                  |
| <b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER<br/>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS<br/>BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED<br/>IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b> ..... |                     |
| Internal Control Over Financial Reporting.....   | 30                  |
| Compliance and Other Matters .....   | 31                  |

---

---

## 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 Florida Keys Community College and its officers with administrative and stewardship responsibilities for College operations had:

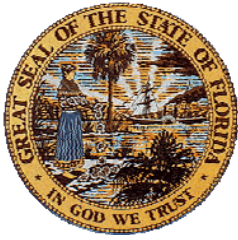
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied 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, 2009. 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, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2010-156.

### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



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

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Florida Keys Community 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, 2009, which collectively comprise the College's basic financial statements as shown on pages 11 through 29. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Keys Community College and of its discretely presented component unit as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 10, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA  
March 24, 2010

---

**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, 2009, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

**FINANCIAL HIGHLIGHTS**

The College's assets totaled \$25.9 million at June 30, 2009. This balance reflects a \$930 thousand, or 3.7 percent, increase from the 2007-08 fiscal year. While assets grew, liabilities decreased by \$590 thousand, or 30.3 percent, totaling \$1.4 million at June 30, 2009, compared to \$1.9 million at June 30, 2008. As a result, the College's net assets increased by \$1.5 million, reaching a year-end balance of \$24.5 million.

The College's operating revenues totaled \$2.8 million for the 2008-09 fiscal year, representing a 4.8 percent decrease from the 2007-08 fiscal year due mainly to a decrease in grants and contracts. Operating expenses totaled \$12.4 million for the 2008-09 fiscal year, representing a decrease of 11.5 percent from the 2007-08 fiscal year due mainly to a decrease in material and supplies.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

- Florida Keys Community 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.
- Florida Keys Community College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

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

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

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

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

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

| <b>Condensed Statement of Net Assets at<br/>(In Thousands)</b> |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | College         |                 | Component Unit  |                 |
|  | 6-30-09         | 6-30-08         | 03-31-09        | 03-31-08        |
| <b>Assets</b>  |                 |                 |                 |                 |
| Current Assets   | \$ 3,930        | \$ 2,172        | \$ 1,437        | \$ 886          |
| Capital Assets, Net  | 21,283          | 22,282          |                 |                 |
| Other Noncurrent Assets  | 668             | 497             | 2,197           | 3,010           |
| <b>Total Assets</b>  | <u>25,881</u>   | <u>24,951</u>   | <u>3,634</u>    | <u>3,896</u>    |
| <b>Liabilities</b>   |                 |                 |                 |                 |
| Current Liabilities  | 632             | 1,298           | 10              | 218             |
| Noncurrent Liabilities   | 722             | 646             |                 |                 |
| <b>Total Liabilities</b>                                       | <u>1,354</u>    | <u>1,944</u>    | <u>10</u>       | <u>218</u>      |
| <b>Net Assets</b>  |                 |                 |                 |                 |
| Invested in Capital Assets,<br>Net of Related Debt             | 21,087          | 22,062          |                 |                 |
| Restricted   | 3,474           | 970             | 3,669           | 3,695           |
| Unrestricted   | (34)            | (25)            | (45)            | (17)            |
| <b>Total Net Assets</b>  | <u>\$24,527</u> | <u>\$23,007</u> | <u>\$ 3,624</u> | <u>\$ 3,678</u> |
| <b>Increase (Decrease) in Net Assets</b>                       | <u>\$ 1,520</u> | 6.6%            | <u>\$ (54)</u>  | -1.5%           |

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

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets  
For the Respective Periods Ended  
(In Thousands)**

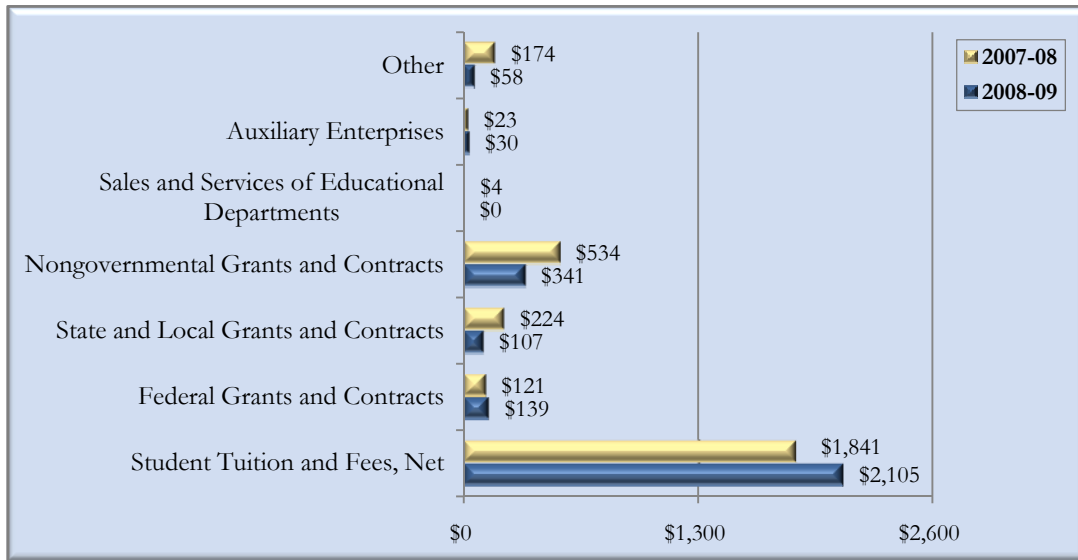
|  | College         |                 | Component Unit  |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 6-30-09         | 6-30-08         | 3-31-09         | 3-31-08         |
| <b>Operating Revenues</b>  |                 |                 |                 |                 |
| Student Tuition and Fees, Net of Scholarship Allowances                | \$ 2,105        | \$ 1,841        | \$              | \$              |
| Federal Grants and Contracts   | 139             | 121             |                 |                 |
| State and Local Grants and Contracts                                   | 107             | 224             | 6               |                 |
| Nongovernmental Grants and Contracts                                   | 341             | 534             |                 |                 |
| Sales and Services of Educational Departments                          |                 | 4               |                 |                 |
| Auxiliary Enterprises  | 30              | 23              |                 |                 |
| Other Operating Revenues   | 58              | 174             | 1,187           | 682             |
| <b>Total Operating Revenues</b>  | <b>2,780</b>    | <b>2,921</b>    | <b>1,193</b>    | <b>682</b>      |
| Less, Operating Expenses   | 12,412          | 14,027          | 492             | 695             |
| <b>Operating Income (Loss)</b>   | <b>(9,632)</b>  | <b>(11,106)</b> | <b>701</b>      | <b>(13)</b>     |
| <b>Nonoperating Revenues (Expenses)</b>                                |                 |                 |                 |                 |
| State Appropriations   | 5,942           | 6,475           |                 |                 |
| Gifts and Grants   | 1,188           | 1,016           |                 |                 |
| Investment Income (Loss)   | 8               | 69              | (755)           |                 |
| Other Nonoperating Revenues  | 23              | 3               |                 | 68              |
| Interest on Capital Asset Related Debt                                 | (11)            | (13)            |                 |                 |
| <b>Net Nonoperating Revenues (Expenses)</b>                            | <b>7,150</b>    | <b>7,550</b>    | <b>(755)</b>    | <b>68</b>       |
| <b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b> | <b>(2,482)</b>  | <b>(3,556)</b>  | <b>(54)</b>     | <b>55</b>       |
| Capital Appropriations   | 3,825           | 1,610           |                 |                 |
| Capital Grants, Contracts, Gifts, and Fees                             | 177             | 281             |                 |                 |
| <b>Increase (Decrease) in Net Assets</b>                               | <b>1,520</b>    | <b>(1,665)</b>  | <b>(54)</b>     | <b>55</b>       |
| Net Assets, Beginning of Year  | 23,007          | 24,672          | 3,678           | 3,623           |
| <b>Net Assets, End of Year</b>   | <b>\$24,527</b> | <b>\$23,007</b> | <b>\$ 3,624</b> | <b>\$ 3,678</b> |

**Operating Revenues**

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

The following chart presents the College’s operating revenues for the 2008-09 and 2007-08 fiscal years:

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



College operating revenue changes were the result of the following factors:

- Student tuition and fees net of scholarship allowances increased \$264 thousand primarily as a result of an increase in enrollment and fee rates.
- State and local grants and contracts decreased by \$117 thousand due to changes in the current economy.
- Nongovernmental grants and contracts decreased by \$193 thousand as a result of a decrease in private gifts and cash contributions due to the current state of the economy.
- Other operating revenue decreased by \$116 thousand. This was attributed to a decrease in the rental income from use of facilities.

**Operating Expenses**

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

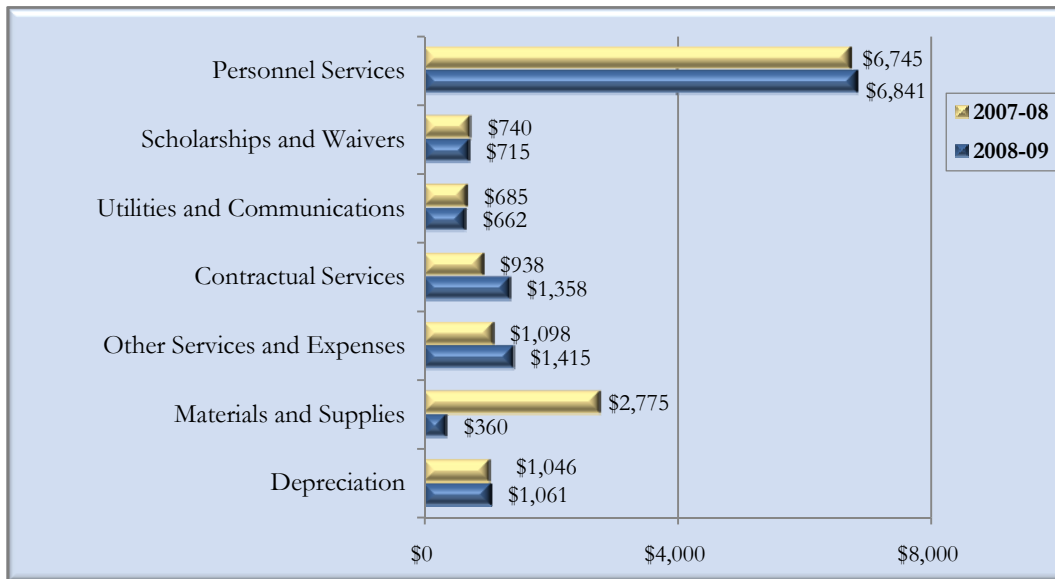
Operating expenses for the College and its component unit for the respective periods ended are presented in the following table:

**Operating Expenses  
(In Thousands)**

|                                 | College         |                 | Component Unit |               |
|---------------------------------|-----------------|-----------------|----------------|---------------|
|                                 | 6-30-09         | 6-30-08         | 3-31-09        | 3-31-08       |
| <b>Operating Expenses</b>       |                 |                 |                |               |
| Personnel Services              | \$ 6,841        | \$ 6,745        | \$             | \$            |
| Scholarships and Waivers        | 715             | 740             | 219            | 259           |
| Utilities and Communications    | 662             | 685             |                |               |
| Contractual Services            | 1,358           | 938             |                |               |
| Other Services and Expenses     | 1,415           | 1,098           | 273            | 436           |
| Materials and Supplies          | 360             | 2,775           |                |               |
| Depreciation                    | 1,061           | 1,046           |                |               |
| <b>Total Operating Expenses</b> | <b>\$12,412</b> | <b>\$14,027</b> | <b>\$ 492</b>  | <b>\$ 695</b> |

The following chart presents the College’s operating expenses for the 2008-09 and 2007-08 fiscal years:

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



College operating expense changes were the result of the following factors:

- Contractual services increased by \$420 thousand as a result of an increase in legal fees.
- Other services increased by \$317 thousand. This was attributed to an increase in insurance premiums as well as printing costs.
- Material and supplies decreased by \$2.4 million primarily as a result of eliminating in-house janitorial services and extensive efforts in cutting cost associated with operations. In addition, the total expenses for the 2007-08 fiscal year included \$1.7 million for the completion of the joint-use facility in Marathon with the Monroe County District School Board.

**Nonoperating Revenues and Expenses**

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses

include capital financing costs and other costs related to capital assets. The following summarizes the College’s nonoperating revenues and expenses for the 2008-09 and 2007-08 fiscal years:

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

|  | 2008-09         | 2007-08         |
|--|-----------------|-----------------|
| State Appropriations                   | \$ 5,942        | \$ 6,475        |
| Gifts and Grants                       | 1,188           | 1,016           |
| Investment Income                      | 8               | 69              |
| Other Nonoperating Revenues            | 23              | 3               |
| Interest on Capital Asset-Related Debt | (11)            | (13)            |
| <b>Net Nonoperating Revenues</b>       | <b>\$ 7,150</b> | <b>\$ 7,550</b> |

Nonoperating revenue changes were the result of the following factors:

- State appropriations decreased \$533 thousand from the prior year due to an overall decrease in State funding for colleges.
- Gift and grants increased \$172 thousand from the prior year due to an increase in Federal Pell grants.

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

This category is mainly composed of capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2008-09 and 2007-08 fiscal years:

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

|  | 2008-09         | 2007-08         |
|--|-----------------|-----------------|
| Capital Appropriations                     | \$ 3,825        | \$ 1,610        |
| Capital Grants, Contracts, Gifts, and Fees | 177             | 281             |
| <b>Total</b>                               | <b>\$ 4,002</b> | <b>\$ 1,891</b> |

Other operating revenues, expenses, gains, or losses increased by \$2.1 million compared to the 2007-08 fiscal year. Capital appropriations increased by \$2.2 million as a result of increased State funding for capital projects. Capital grants, contracts, gifts, and fees decreased \$104 thousand due to a reduction in funding from the State Education Enhancement Trust Fund, Community College Facilities Matching Grant Program.

**THE STATEMENT OF CASH FLOWS**

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- An entity’s ability to generate future net cash flows.
- Its ability to meet its obligations as they come due.
- Its need for external financing.

A summary of the College's cash flows for the 2008-09 and 2007-08 fiscal years is presented in the following table:

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

|   | 2008-09         | 2007-08         |
|---|-----------------|-----------------|
| Cash Provided (Used) by:                                    |                 |                 |
| Operating Activities  | \$ (8,342)      | \$ (10,315)     |
| Noncapital Financing Activities                             | 7,145           | 7,480           |
| Capital and Related Financing Activities                    | 1,248           | 1,358           |
| Investing Activities  | 20              | 46              |
|   | <u>71</u>       | <u>(1,431)</u>  |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b> | <b>71</b>       | <b>(1,431)</b>  |
| Cash and Cash Equivalents, Beginning of Year                | 1,156           | 2,587           |
|   | <u>1,227</u>    | <u>1,156</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>               | <b>\$ 1,227</b> | <b>\$ 1,156</b> |

During the 2008-09 fiscal year, cash and cash equivalents increased by \$71 thousand.

The net cash used for operating activities was \$8.3 million, which represents a \$2 million decrease in cash used. The decrease in cash used was the result of cost cutting measures instituted by the College over its operations. Included in the calculation of cash used by operating activities are payments to suppliers of \$3.2 million, and payments for employee salaries and benefits of \$5.2 million and \$1.4 million, respectively. These are the three major outflows of operating activities. The primary inflow of operating activities consists of net tuition and fees totaling \$2.1 million.

The net cash provided by noncapital financing activities was \$7.1 million. This amount included State appropriations in the amount of \$5.9 million, which was a decrease in cash provided of \$533 thousand from the prior year and \$1.2 million for gifts and grants received for other than capital purposes, which was an increase of \$199 thousand.

The net cash provided by capital and related financing activities was \$1.2 million, which represented a decrease in cash provided because of a reduction in cash flows from capital appropriations.

The net cash provided by investment activities was \$20 thousand. During the 2008-09 fiscal year, the College received \$10 thousand of investment income and investments sold exceeded investments purchased by \$10 thousand.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At June 30, 2009, the College had \$37.6 million in capital assets, less accumulated depreciation of \$16.3 million, for net capital assets of \$21.3 million. Depreciation charges for the current fiscal year totaled \$1 million. The following table summarizes the College's capital assets at June 30:

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

| <u>Capital Assets</u>                 | <u>2009</u>             | <u>2008</u>             |
|---------------------------------------|-------------------------|-------------------------|
| Land                                  | \$ 322                  | \$ 322                  |
| Buildings                             | 33,326                  | 33,326                  |
| Other Structures and Improvements     | 2,140                   | 2,140                   |
| Furniture, Machinery, and Equipment   | 1,789                   | 1,727                   |
| <b>Total</b>                          | <b><u>37,577</u></b>    | <b><u>37,515</u></b>    |
| Less, Accumulated Depreciation:       |                         |                         |
| Buildings                             | 12,726                  | 11,871                  |
| Other Structures and Improvements     | 2,140                   | 2,140                   |
| Furniture, Machinery, and Equipment   | 1,428                   | 1,222                   |
| <b>Total Accumulated Depreciation</b> | <b><u>16,294</u></b>    | <b><u>15,233</u></b>    |
| <b>Capital Assets, Net</b>            | <b><u>\$ 21,283</u></b> | <b><u>\$ 22,282</u></b> |

Planning is underway for the construction of the new Marine Propulsion Building. State appropriations, with local funds, are expected to finance the construction of the facility. More information about the College's capital assets is presented in the notes to financial statements.

#### **DEBT ADMINISTRATION**

At June 30, 2009, the College had \$200 thousand in long-term debt outstanding versus \$225 thousand at the end of the prior year, a decrease of 11.1 percent.

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2008-09 fiscal year, there were no bond sales and debt repayments totaled \$25 thousand. Additional information about the College's long-term debt is presented in the notes to financial statements.

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

Florida Keys Community College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, and a decrease in State appropriations, the Board of Trustees increased the tuition rate 8 percent to take effect beginning with the Fall 2009 term. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

#### **REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Financial Services, Florida Keys Community College, 5901 College Road, Key West, Florida 33040.

**BASIC FINANCIAL STATEMENTS**

**FLORIDA KEYS COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS  
June 30, 2009**

|  | <b>College</b>       | <b>Component<br/>Unit</b> |
|--|----------------------|---------------------------|
| <b>ASSETS</b>                              |                      |                           |
| Current Assets:                            |                      |                           |
| Cash and Cash Equivalents                  | \$ 546,018           |                           |
| Restricted Cash and Cash Equivalents       | 31,122               | 1,422,351                 |
| Accounts Receivable, Net                   | 142,054              | 6,102                     |
| Due from Other Governmental Agencies       | 3,170,477            |                           |
| Prepaid Expenses                           | 41,030               | 8,602                     |
|  | <b>3,930,701</b>     | <b>1,437,055</b>          |
|  |                      |                           |
| Noncurrent Assets:                         |                      |                           |
| Restricted Cash and Cash Equivalents       | 649,936              |                           |
| Investments                                | 7,628                |                           |
| Restricted Investments                     | 9,909                | 2,186,832                 |
| Depreciable Capital Assets, Net            | 20,961,076           |                           |
| Nondepreciable Capital Assets              | 321,796              |                           |
| Other Assets                               |                      | 10,000                    |
|  | <b>21,950,345</b>    | <b>2,196,832</b>          |
|  |                      |                           |
| <b>TOTAL ASSETS</b>                        | <b>\$ 25,881,046</b> | <b>\$ 3,633,887</b>       |
| <b>LIABILITIES</b>                         |                      |                           |
| Current Liabilities:                       |                      |                           |
| Accounts Payable                           | \$ 335,197           | \$ 10,291                 |
| Salary and Payroll Taxes Payable           | 196,680              |                           |
| Due to Other Governmental Agencies         | 48,819               |                           |
| Deferred Revenue                           | 59                   |                           |
| Deposits Held for Others                   | 16,869               |                           |
| Long-Term Liabilities - Current Portion:   |                      |                           |
| Bonds Payable                              | 25,000               |                           |
| Compensated Absences Payable               | 9,705                |                           |
|  | <b>632,329</b>       | <b>10,291</b>             |
|  |                      |                           |
| Noncurrent Liabilities:                    |                      |                           |
| Bonds Payable                              | 175,000              |                           |
| Compensated Absences Payable               | 510,810              |                           |
| Postemployment Healthcare Benefits Payable | 36,047               |                           |
|  | <b>721,857</b>       |                           |
|  |                      |                           |
| <b>TOTAL LIABILITIES</b>                   | <b>1,354,186</b>     | <b>10,291</b>             |

**FLORIDA KEYS COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**June 30, 2009**

|   | <b>College</b>       | <b>Component<br/>Unit</b> |
|---|----------------------|---------------------------|
| <b>NET ASSETS</b>                               |                      |                           |
| Invested in Capital Assets, Net of Related Debt | \$ 21,086,992        | \$                        |
| Restricted:                                     |                      |                           |
| Nonexpendable:                                  |                      |                           |
| Endowment                                       |                      | 1,824,239                 |
| Expendable:                                     |                      |                           |
| Grants and Loans                                | 71,834               | 1,844,322                 |
| Scholarships                                    | 75,788               |                           |
| Capital Projects                                | 3,320,376            |                           |
| Debt Service                                    | 5,790                |                           |
| Unrestricted                                    | (33,920)             | (44,965)                  |
| <b>Total Net Assets</b>                         | 24,526,860           | 3,623,596                 |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>         | <b>\$ 25,881,046</b> | <b>\$ 3,633,887</b>       |

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

**FLORIDA KEYS COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2009**

|  | <b>College</b>       | <b>Component Unit</b> |
|--|----------------------|-----------------------|
| <b>REVENUES</b>  |                      |                       |
| Operating Revenues:  |                      |                       |
| Student Tuition and Fees, Net of Scholarship Allowances of \$851,693 | \$ 2,105,314         | \$                    |
| Federal Grants and Contracts   | 139,035              |                       |
| State and Local Grants and Contracts                                 | 107,070              | 6,417                 |
| Nongovernmental Grants and Contracts                                 | 341,263              |                       |
| Auxiliary Enterprises  | 29,910               |                       |
| Other Operating Revenues   | 57,392               | 1,186,323             |
| <b>Total Operating Revenues</b>                                      | <b>2,779,984</b>     | <b>1,192,740</b>      |
| <b>EXPENSES</b>  |                      |                       |
| Operating Expenses:  |                      |                       |
| Personnel Services   | 6,841,285            |                       |
| Scholarships and Waivers   | 714,559              | 218,878               |
| Utilities and Communications   | 662,335              |                       |
| Contractual Services   | 1,358,041            |                       |
| Other Services and Expenses  | 1,414,563            | 273,110               |
| Materials and Supplies   | 360,231              |                       |
| Depreciation   | 1,061,392            |                       |
| <b>Total Operating Expenses</b>                                      | <b>12,412,406</b>    | <b>491,988</b>        |
| <b>Operating Income (Loss)</b>                                       | <b>(9,632,422)</b>   | <b>700,752</b>        |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                              |                      |                       |
| State Appropriations   | 5,941,723            |                       |
| Gifts and Grants   | 1,187,881            |                       |
| Investment Income (Loss)   | 8,447                | (755,162)             |
| Other Nonoperating Revenues  | 23,333               |                       |
| Interest on Capital Asset-Related Debt                               | (11,250)             |                       |
| <b>Net Nonoperating Revenues (Expenses)</b>                          | <b>7,150,134</b>     | <b>(755,162)</b>      |
| <b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>        | <b>(2,482,288)</b>   | <b>(54,410)</b>       |
| Capital Appropriations   | 3,825,244            |                       |
| Capital Grants, Contracts, Gifts, and Fees                           | 176,724              |                       |
| <b>Total Other Revenues</b>  | <b>4,001,968</b>     |                       |
| <b>Increase (Decrease) in Net Assets</b>                             | <b>1,519,680</b>     | <b>(54,410)</b>       |
| Net Assets, Beginning of Year  | 23,007,180           | 3,678,006             |
| <b>Net Assets, End of Year</b>                                       | <b>\$ 24,526,860</b> | <b>\$ 3,623,596</b>   |

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

**FLORIDA KEYS COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2009**

|  | <b>College</b>      |
|--|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                            |                     |
| Tuition and Fees, Net  | \$ 2,065,144        |
| Grants and Contracts   | 595,309             |
| Payments to Suppliers  | (3,157,796)         |
| Payments for Utilities and Communications                              | (661,436)           |
| Payments to Employees  | (5,229,511)         |
| Payments for Employee Benefits   | (1,398,063)         |
| Payments for Scholarships  | (714,559)           |
| Auxiliary Enterprises  | 26,498              |
| Other Receipts   | 131,468             |
|  | <b>(8,342,946)</b>  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                 |                     |
| State Appropriations   | 5,941,723           |
| Gifts and Grants Received for Other Than Capital or Endowment Purposes | 1,203,543           |
|  | <b>7,145,266</b>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>        |                     |
| Capital Appropriations   | 1,169,390           |
| Capital Grants and Gifts   | 176,725             |
| Purchases of Capital Assets  | (61,849)            |
| Principal Paid on Capital Debt   | (25,000)            |
| Interest Paid on Capital Debt  | (11,250)            |
|  | <b>1,248,016</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                            |                     |
| Investment Income  | 9,875               |
| Changes in Investments, Net  | 10,407              |
|  | <b>20,282</b>       |
| <b>Net Increase in Cash and Cash Equivalents</b>                       | <b>70,618</b>       |
| Cash and Cash Equivalents, Beginning of Year                           | 1,156,458           |
|  | <b>1,227,076</b>    |
| <b>Cash and Cash Equivalents, End of Year</b>                          | <b>\$ 1,227,076</b> |

**FLORIDA KEYS COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS (Continued)  
For the Fiscal Year Ended June 30, 2009**

|  | <b>College</b>        |
|--|-----------------------|
| <b>RECONCILIATION OF OPERATING LOSS<br/>TO NET CASH USED BY OPERATING ACTIVITIES</b> |                       |
| Operating Loss   | \$ (9,632,422)        |
| Adjustments to Reconcile Operating Loss<br>to Net Cash Used by Operating Activities: |                       |
| Depreciation Expense   | 1,061,392             |
| Changes in Assets and Liabilities:   |                       |
| Receivables, Net   | (35,642)              |
| Prepaid Expenses   | (24,960)              |
| Accounts Payable   | 184,612               |
| Deposits Held for Others   | 752                   |
| Compensated Absences Payable   | 87,711                |
| Postemployment Healthcare Benefits Payable   | 15,611                |
|  | <u>15,611</u>         |
| <b>NET CASH USED BY OPERATING ACTIVITIES</b>   | <b>\$ (8,342,946)</b> |

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

**FLORIDA KEYS COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** The governing body of Florida Keys Community College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of five 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 Monroe County.

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2009.

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.

**FLORIDA KEYS COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

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

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

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

The College's component unit uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses

**FLORIDA KEYS COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

on investments), and revenues for capital construction projects. Interest on capital asset-related debt is considered a nonoperating expense.

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College identified, within its accounting system, amounts paid for tuition and fees by financial aid. The College records a scholarship allowance against tuition and fees for the total amount paid by financial 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, and funds invested with the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME. For the purpose of reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the LGIP 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, 2009, the College reported as cash equivalents at fair value \$377,933 of moneys held in the LGIP administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The College's investments in the LGIP, which the SBA indicated is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The LGIP carried a credit rating of AAAm by

**FLORIDA KEYS COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Standard & Poor's and had a weighted-average days to maturity (WAM) of 46 days as of June 30, 2009. 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 LGIP to interest rate changes. The investments in the LGIP are reported at fair value, which is amortized cost.

**Capital Assets.** College capital assets consist of land; 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, Educational Equipment – 5 years
  - Furniture – 7 years

## 2. INVESTMENTS

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

**FLORIDA KEYS COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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, 2009, are reported at fair value, as follows:

| <u>Investment Type</u>   | <u>Amount</u>                  |
|--|--------------------------------|
| State Board of Administration Fund B<br>Surplus Funds Trust Fund | \$ 7,628                       |
| State Board of Administration Debt Service<br>Accounts           | <u>9,909</u>                   |
| <b>Total College Investments</b>                                 | <b><u><u>\$ 17,537</u></u></b> |

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

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

At June 30, 2009, the College reported investments at fair value of \$7,628 for amounts held in Fund B. The College’s investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.5137 at June 30, 2009. The weighted-average life (WAL) of Fund B at June 30, 2009, was 6.87 years. A portfolio’s WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2009. WAL measures the sensitivity of Fund B to interest rate changes. The College’s investment in Fund B is unrated.

**State Board of Administration Debt Service Accounts**

The College reported investments at fair value totaling \$9,909 at June 30, 2009, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefits of the College. The College’s investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the State Board of Administration for managing interest

**FLORIDA KEYS COMMUNITY COLLEGE  
 A COMPONENT UNIT OF THE STATE OF FLORIDA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2009**

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.

**Component Unit Investments**

Investments held by the College’s component unit at March 31, 2009, are reported at fair value, as follows:

| <u>Investment Type</u>                  | <u>Amount</u>                     |
|---|-----------------------------------|
| Common Stock Equities                   | \$ 964,394                        |
| Government Securities                   | 776,081                           |
| Mutual Funds                            | <u>446,357</u>                    |
| <b>Total Component Unit Investments</b> | <b><u><u>\$ 2,186,832</u></u></b> |

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, and uncollected commissions from bookstore and vending machine contractors. These receivables are reported net of a \$14,201 allowance for uncollectible accounts.

**4. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$ 2,961,407 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

**5. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2009, is shown below:

**FLORIDA KEYS COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

| Description                                  | Beginning<br>Balance | Additions          | Reductions | Ending<br>Balance   |
|--|----------------------|--------------------|------------|---------------------|
| Nondepreciable Capital Assets:               |                      |                    |            |                     |
| Land   | \$ 321,796           | \$                 | \$         | \$ 321,796          |
| <b>Total Nondepreciable Capital Assets</b>   | <b>\$ 321,796</b>    | <b>\$</b>          | <b>\$</b>  | <b>\$ 321,796</b>   |
| Depreciable Capital Assets:                  |                      |                    |            |                     |
| Buildings                                    | \$33,325,933         | \$                 | \$         | \$33,325,933        |
| Other Structures and Improvements            | 2,140,675            |                    |            | 2,140,675           |
| Furniture, Machinery, and Equipment          | 1,726,538            | 61,848             |            | 1,788,386           |
| <b>Total Depreciable Capital Assets</b>      | <b>37,193,146</b>    | <b>61,848</b>      |            | <b>37,254,994</b>   |
| Less, Accumulated Depreciation:              |                      |                    |            |                     |
| Buildings                                    | 11,870,710           | 855,342            |            | 12,726,052          |
| Other Structures and Improvements            | 2,140,675            |                    |            | 2,140,675           |
| Furniture, Machinery, and Equipment          | 1,221,141            | 206,050            |            | 1,427,191           |
| <b>Total Accumulated Depreciation</b>        | <b>15,232,526</b>    | <b>1,061,392</b>   |            | <b>16,293,918</b>   |
| <b>Total Depreciable Capital Assets, Net</b> | <b>\$21,960,620</b>  | <b>\$(999,544)</b> | <b>\$</b>  | <b>\$20,961,076</b> |

**6. LONG-TERM LIABILITIES**

Long-term liabilities of the College at June 30, 2009, include bonds, compensated absences, and postemployment healthcare benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

| Description                              | Beginning<br>Balance | Additions        | Reductions       | Ending<br>Balance | Current<br>Portion |
|--|----------------------|------------------|------------------|-------------------|--------------------|
| Bonds Payable                            | \$225,000            | \$               | \$ 25,000        | \$200,000         | \$25,000           |
| Compensated Absences Payable             | 432,804              | 87,711           |                  | 520,515           | 9,705              |
| Other Postemployment<br>Benefits Payable | 20,436               | 15,611           |                  | 36,047            |                    |
| <b>Total Long-Term Liabilities</b>       | <b>\$678,240</b>     | <b>\$103,322</b> | <b>\$ 25,000</b> | <b>\$756,562</b>  | <b>\$34,705</b>    |

**Bonds Payable.** The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College’s portion of the State-assessed motor vehicle license tax and by the State’s full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2009:

**FLORIDA KEYS COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

| Bond Type   | Amount<br>Outstanding | Interest<br>Rates<br>(Percent) | Annual<br>Maturity<br>To |
|---|-----------------------|--------------------------------|--------------------------|
| State Board of Education<br>Capital Outlay Bonds:<br>Series 2005A | \$ 200,000            | 5                              | 2016                     |

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

| Fiscal Year<br>Ending June 30 | State Board of Education Capital Outlay Bonds |                  |                   |
|-------------------------------|---|------------------|-------------------|
|                               | Principal                                     | Interest         | Total             |
| 2010                          | \$ 25,000                                     | \$ 10,000        | \$ 35,000         |
| 2011                          | 25,000  | 8,750            | 33,750            |
| 2012                          | 30,000  | 7,500            | 37,500            |
| 2013                          | 30,000  | 6,000            | 36,000            |
| 2014                          | 30,000  | 4,500            | 34,500            |
| 2015-2016                     | 60,000  | 4,750            | 64,750            |
| <b>Total</b>                  | <b>\$ 200,000</b>                             | <b>\$ 41,500</b> | <b>\$ 241,500</b> |

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2009, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$520,515. The current portion of the compensated absences liability was determined based on the anticipated payout in the next fiscal year.

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

*Plan Description.* The College contributes to a cost-sharing, multiple-employer defined-benefit plan administered by the Consortium. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College’s healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and

**FLORIDA KEYS COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The College does not offer any explicit subsidies. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The College and the Consortium do not issue stand-alone annual reports for the Plan and the Plan is not included in the annual report of a public employee retirement system or another entity.

*Funding Policy.* Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contribution rates can be amended by the Board of Trustees. 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 2008-09 fiscal year, 15 retirees received postemployment healthcare benefits, and 14 retirees received postemployment life insurance benefits. The College provided required contributions of \$1,715 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 \$145,031.

*Annual OPEB Cost and Net OPEB Obligation.* The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation:

| <u>Description</u>                                      | <u>Amount</u>           |
|---|-------------------------|
| Normal Cost (Service Cost for One Year)                 | \$ 10,584               |
| Amortization of Unfunded Actuarial<br>Accrued Liability | <u>6,810</u>            |
| <b>Annual Required Contribution</b>                     | 17,394                  |
| Interest on Net OPEB Obligation                         | 613                     |
| Adjustment to Annual Required Contribution              | <u>(681)</u>            |
| <b>Annual OPEB Cost (Expense)</b>                       | 17,326                  |
| Contribution Toward the OPEB Cost                       | <u>(1,715)</u>          |
| <b>Increase in Net OPEB Obligation</b>                  | 15,611                  |
| Net OPEB Obligation, Beginning of Year                  | <u>20,436</u>           |
| <b>Net OPEB Obligation, End of Year</b>                 | <u><u>\$ 36,047</u></u> |

**FLORIDA KEYS COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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, 2009, and for the transition and preceding years, were as follows:

| Fiscal Year                     | Annual<br>OPEB Cost | Percentage of<br>Annual<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|---------------------------------|---------------------|---|------------------------|
| Beginning Balance, July 1, 2007 | \$                  |   | \$                     |
| 2007-08                         | 17,394              | (17.5)%   | 20,436                 |
| 2008-09                         | 17,326              | 9.9%  | 36,047                 |

*Funded Status and Funding Progress.* As of June 30, 2007, the most recent valuation date, the actuarial accrued liability for benefits was \$204,308 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$204,308 and a funded status of 0 percent. The covered payroll (annual payroll of active participating employees) was \$4,114,701 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 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.

*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 initial OPEB actuarial valuation used the projected unit credit actuarial method to estimate the unfunded actuarial accrued liability (UAAL) as of June 30, 2008, and an updated UAAL estimate at June 30, 2009, to estimate the 2008-09 fiscal year ARC. This method was selected because it is the same method used in private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the College’s expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent for

**FLORIDA KEYS COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

the 2008-09 fiscal year, reduced by 1 percent per year for one more year, then .05 percent per year thereafter, to an ultimate rate of 5 percent after five years. The UAAL is being amortized using a level percent of pay method amortized over 30 years. The remaining amortization period at June 30, 2009, was 28 years.

**7. RETIREMENT PROGRAMS**

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

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

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

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2008-09 fiscal year were as follows:

**FLORIDA KEYS COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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

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

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

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$363,195, \$352,925, and \$310,841, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 35 College participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$156,878.

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

**FLORIDA KEYS COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**8. RISK MANAGEMENT PROGRAMS**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$200 million through February 28, 2009, and \$175 million starting March 1, 2009. Insurance coverage obtained through the Consortium included employee group health and life, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Employee and dependent dental and supplemental health coverage and employee short-term disability insurance are available through purchased commercial insurance. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**9. SCHEDULE OF STATE REVENUE SOURCES**

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

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

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

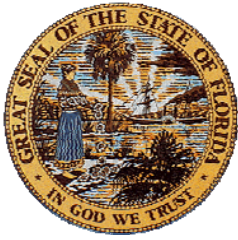
**FLORIDA KEYS COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

| <u>Source</u>   | <u>Amount</u>        |
|---|----------------------|
| College Program Fund  | \$ 5,263,026         |
| Gross Receipts Tax (Public Education Capital Outlay)        | 3,777,445            |
| Education Enhancement Trust Fund (Lottery)                  | 678,697              |
| Florida Student Assistance Grants                           | 199,440              |
| Bright Futures Scholarship Program                          | 126,736              |
| Restricted Contracts and Grants                             | 104,492              |
| Motor Vehicle License Tax (Capital Outlay and Debt Service) | 47,799               |
| <b>Total</b>  | <b>\$ 10,197,635</b> |

**10. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

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

| <u>Functional Classification</u>   | <u>Amount</u>        |
|------------------------------------|----------------------|
| Instruction                        | \$ 3,765,923         |
| Public Services                    | 292,044              |
| Academic Support                   | 1,075,020            |
| Student Services                   | 763,641              |
| Institutional Support              | 2,690,371            |
| Operation and Maintenance of Plant | 2,193,901            |
| Scholarships and Fellowships       | 538,551              |
| Depreciation                       | 1,061,392            |
| Auxiliary Enterprises              | 31,563               |
| <b>Total Operating Expenses</b>    | <b>\$ 12,412,406</b> |



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

We have audited the financial statements of Florida Keys Community 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, 2009, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

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

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

We noted certain operational matters that we reported to College management in our report No. 2010-156.

#### **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*.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA  
March 24, 2010