STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2019-147
March 2019

FLORIDA KEYS COMMUNITY COLLEGE

For the Fiscal Year Ended
June 30, 2018

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2017-18 fiscal year, Dr. Jonathan Gueverra served as President of Florida Keys Community College and the following individuals served as Members of the Board of Trustees:

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 team leader was Barbara S. Coleman, CPA, and the audit was supervised by Hector J. Quevedo, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

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FLORIDA KEYS COMMUNITY COLLEGE

TABLE OF CONTENTS

SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements of Florida Keys Community College (a component unit of the State of Florida) 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, 2018. 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

We conducted our audit in accordance with 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

Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Keys Community College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2018, 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 Florida Keys Educational Foundation, Inc. and the Florida Keys College Campus Foundation, Inc., which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those 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 aggregate 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 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 aggregate discretely presented component units as of June 30, 2018, 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.

Emphasis of Matters

Change in Accounting Principle

As discussed in Note 2. to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

Going Concern – Discretely Presented Component Unit

The Florida Keys College Campus Foundation, Inc. (Campus Foundation) represents 53, 99, 59, and 69 percent of the assets, liabilities, revenues, and expenses, respectively, for the aggregate discretely presented component units. The other auditor's report on the financial statements of the Campus Foundation for the fiscal year ended September 30, 2017, included an emphasis-of-matter paragraph that indicated the financial statements were prepared assuming that the Campus Foundation will continue as a going concern; however, the following conditions raise substantial doubt about its ability to continue as a going concern. As indicated in Note 10. to the financial statements, the Campus Foundation had debt of $8,305,000 in default as of September 30, 2017. Since the bond holder asserts that Campus Foundation capital assets are pledged as collateral for the debt, foreclosure would seriously impair the Foundation's ability to continue as a going concern. Additionally, the Campus Foundation had a deficit net position of $1,899,997 as of September 30, 2017. The Campus Foundation's financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of College Contributions – Florida Retirement System Pension Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of College Contributions – Health Insurance Subsidy Pension 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 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 and other auditors 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 our report dated March 12, 2019, on our consideration of the 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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 the Florida Keys Community College's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 12, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

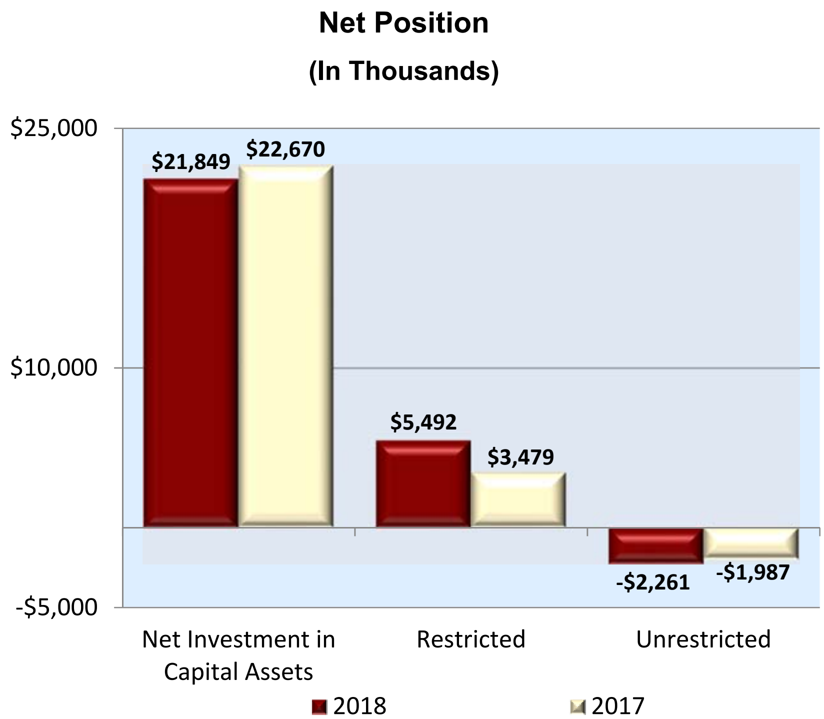
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2018, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2018, and June 30, 2017, and its component units: the Florida Keys Educational Foundation, Inc. for the fiscal years ended March 31, 2018, and March 31, 3017; and the Florida Keys College Campus Foundation, Inc. for the fiscal years ended September 30, 2017, and September 30, 2016.

FINANCIAL HIGHLIGHTS

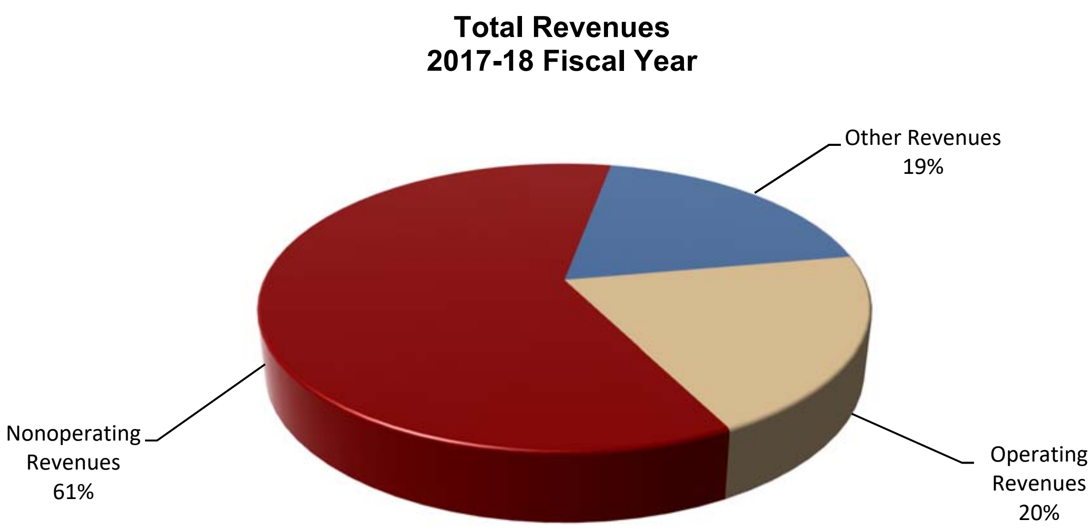
The College's assets and deferred outflows of resources totaled $33 million at June 30, 2018. This balance reflects a $1.5 million, or 4.9 percent, increase as compared to the 2016-17 fiscal year, resulting primarily from a $3 million increase in noncurrent restricted cash and cash equivalents offset by a $1.2 million decrease in depreciable capital assets. While assets and deferred outflows of resources increased, liabilities and deferred inflows of resources also increased by $0.6 million, or 8.7 percent, totaling $7.9 million at June 30, 2018, resulting primarily from an increase of $0.5 million in pension liabilities. As a result, the College's net position increased by $0.9 million, resulting in a year-end balance of $25.1 million.

The College's operating revenues totaled $3.2 million for the 2017-18 fiscal year, representing a 11.6 percent decrease compared to the 2016-17 fiscal year due to a decrease in student tuition and fees. Operating expenses totaled $14.7 million for the 2017-18 fiscal year, representing an increase of $0.2 million, or 1.6 percent as compared to the 2016-17 fiscal year due to increases in personnel expenses, scholarships and waivers, and materials and supplies offset by decreases in contractual services and other services and expenses.

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, 2018, and June 30, 2017, is shown in the following graph:



The following chart provides a graphical presentation of College revenues by category for the 2017-18 fiscal year:



Overview of Financial Statements

Pursuant to Governmental Accounting Standard Board (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. The financial statements, and notes thereto, encompass the College and its component units. These component units include: Florida Keys Educational Foundation, Inc. (Educational Foundation), and Florida Keys College Campus Foundation, Inc. (Campus Foundation). Based on the application of the criteria for determining component units, the Educational Foundation and the Campus Foundation are included within the College reporting entity as discretely presented component units.

Information regarding these component units, is presented in the MD&A and the notes to financial statements.

The Statement of Net Position

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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, less deferred inflows of resources, 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.

The following summarizes the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College and its component units for the respective fiscal years ended:

Condensed Statement of Net Position at

(In Thousands)

	College		Component Units (1)	
	06-30-18	06-30-17	2018	2017
Assets				
Current Assets	$ 3,602	$ 4,502	$ 7,027	$ 6,398
Capital Assets, Net	21,874	22,712	5,787	5,978
Other Noncurrent Assets	4,661	1,693	43	43
Total Assets	30,137	28,907	12,857	12,419
Deferred Outflows of Resources	2,871	2,549	-	-
Liabilities				
Current Liabilities	1,045	1,187	8,810	8,657
Noncurrent Liabilities	6,523	5,987	-	-
Total Liabilities	7,568	7,174	8,810	8,657
Deferred Inflows of Resources	360	120	-	-
Net Position				
Net Investment in Capital Assets	21,849	22,670	(1,981)	(2,203)
Restricted	5,492	3,479	3,720	3,505
Unrestricted	(2,261)	(1,987)	2,308	2,460
Total Net Position	$ 25,080	$ 24,162	$ 4,047	$ 3,762

(1) For the 2018 year, the amounts reported are for the fiscal years ended March 31, 2018, for the Educational Foundation, and September 30, 2017, for the Campus Foundation. For the 2017 year, the amounts reported are for the fiscal years ended March 31, 2017, for the Educational Foundation and September 30, 2016, for the Campus Foundation.

Significant events include the following:

- Current assets decreased by $0.9 million, or 20 percent, due primarily to a decrease of $0.9 million due from other governmental agencies.
- Noncurrent assets increased by $2.1 million, or 8.7 percent, due to increases of $3 million in noncurrent restricted cash and cash equivalents and $0.4 million in nondepreciable capital assets offset by a decrease in depreciable capital assets of $1.2 million.
- Noncurrent liabilities increased by $0.5 million, or 9 percent, due primarily to an increase of $0.5 million in pension 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 component units for the respective fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years

(In Thousands)

	College		**Component Units** (1)	
	2017-18	**2016-17**	**2018**	**2017**
Operating Revenues	$ 3,181	$ 3,599	$ 1,322	$ 1,843
Less, Operating Expenses	14,720	14,491	988	1,152
Operating Income (Loss)	(11,539)	(10,892)	334	691
Net Nonoperating Revenues (Expenses)	9,507	8,629	(49)	(40)
Income (Loss) Before Other Revenues	(2,032)	(2,263)	285	651
Other Revenues	3,031	2,672	-	-
Net Increase In Net Position	999	409	285	651
Net Position, Beginning of Year	24,162	23,753	3,762	3,111
Adjustment to Beginning Net Position (2)	(81)	-	-	-
Net Position, Beginning of Year, as Restated	24,081	23,753	3,762	3,111
Net Position, End of Year	$ 25,080	$ 24,162	$ 4,047	$ 3,762

(1) For the 2018 year, the amounts reported are for the fiscal years ended March 31, 2018, for the Educational Foundation, and September 30, 2017, for the Campus Foundation. For the 2017 year, the amounts reported are for the fiscal years ended March 31, 2017, for the Educational Foundation and September 30, 2016, for the Campus Foundation.

(2) For the 2017-18 fiscal year, the College's beginning net position was decreased due to the implementation of GASB Statement No. 75.

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 by source for the College and its component units that were used to fund operating activities for the respective fiscal years:

Operating Revenues
For the Fiscal Years

(In Thousands)

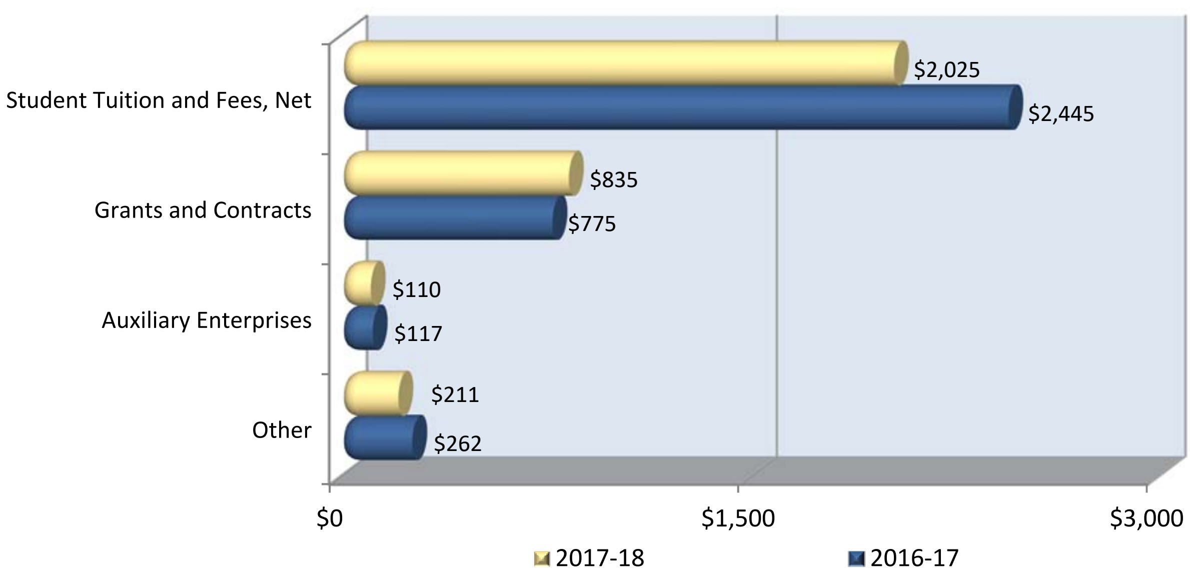
	College		Component Units (1)	
	2017-18	**2016-17**	**2018**	**2017**
Student Tuition and Fees, Net	$ 2,025	$ 2,445	$ -	$ -
Grants and Contracts	835	775	-	-
Auxiliary Enterprises	110	117	-	-
Other	211	262	1,322	1,843
Total Operating Revenues	$ 3,181	$ 3,599	$ 1,322	$ 1,843

(1) For the 2018 year, the amounts reported are for the fiscal years ended March 31, 2018, for the Educational Foundation, and September 30, 2017, for the Campus Foundation. For the 2017 year, the amounts reported are for the fiscal years ended March 31, 2017, for the Educational Foundation, and September 30, 2016, for the Campus Foundation.

The following chart presents the College's operating revenues for the 2017-18 and 2016-17 fiscal years:

Operating Revenues

(In Thousands)



College operating revenue decreased primarily due to a decrease of $0.4 million in student tuition and fees over the prior year. This decrease in student tuition and fees was primarily due to a decrease of $0.1 million in tuition and fees charged for advance and professional, College preparatory, postsecondary, and adult vocational courses to Florida and non-Florida residents. Similarly, tuition and fees charged for continuing education courses and laboratory use decreased by $0.1 million each, and scholarship allowance decreased student tuition and fees further by increasing $0.1 million.

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 component units for the respective fiscal years:

Operating Expenses
For the Fiscal Years

(In Thousands)

	College		Component Units (1)	
	2017-18	**2016-17**	**2018**	**2017**
Personnel Services	$ 8,850	$ 8,408	$ -	$ -
Scholarships and Waivers	499	250	182	197
Utilities and Communications	636	564	-	-
Contractual Services	1,460	1,651	-	-
Other Services and Expenses	1,180	1,816	614	763
Materials and Supplies	795	552	-	-
Depreciation	1,300	1,250	192	192
Total Operating Expenses	$ 14,720	$ 14,491	$ 988	$ 1,152

(1) For the 2018 year, the amounts reported are for the fiscal years ended March 31, 2018, for the Educational Foundation, and September 30, 2017, for the Campus Foundation. For the 2017 year, the amounts reported are for the fiscal years ended March 31, 2017, for the Educational Foundation, and September 30, 2016, for the Campus Foundation.

The following chart presents the College's operating expenses for the 2017-18 and 2016-17 fiscal years:

Operating Expenses

(In Thousands)

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

- Personnel services increased by $0.4 million, or 5.3 percent, primarily due to increases in pension expense, other benefits, instructional personnel services, and administrative services.
- Contractual services decreased by $0.2 million, or 11.6 percent, primarily due to one-time expenses in the prior fiscal year for a new website design and technology upgrades.
- Other services and expenses decreased by $0.6 million, or 35 percent, primarily due to one-time expenses in the prior fiscal year for chiller repairs.
- Materials and Supplies increased by $0.2 million, or 44 percent, primarily as a result of increased equipment and software purchases.

<u>Nonoperating Revenues and Expenses</u>

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 2017-18 and 2016-17 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
State Noncapital Appropriations	$ 7,151	$ 7,264
Federal and State Student Financial Aid	1,450	1,110
Gifts and Grants	872	230
Investment Income	35	27
Interest on Capital Asset-Related Debt	(1)	(2)
Net Nonoperating Revenues	$ 9,507	$ 8,629

Net nonoperating revenues increased by $0.9 million, or 10.2 percent, primarily as a result of an increase of $0.3 million in Federal and State financial aid, an increase of $0.2 million in Federal and State grants, and a private gift of $0.4 million received for renovations of the Tennessee Williams Theatre.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2017-18 and 2016-17 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
State Capital Appropriations	$ 2,753	$ 2,252
Capital Grants, Contracts, Gifts, and Fees	278	420
Total	$ 3,031	$ 2,672

Total other revenues increased by $0.4 million, or 13.4 percent, due to an increase in appropriations for Public Education Capital Outlay which will be used primarily for the purchase of the new Upper Keys Center.

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. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. 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 following summarizes the College's cash flows for the 2017-18 and 2016-17 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2017-18	**2016-17**
Cash Provided (Used) by:		
Operating Activities	$ (10,411)	$ (9,253)
Noncapital Financing Activities	9,256	8,594
Capital and Related Financing Activities	3,788	(270)
Investing Activities	35	27
Net Increase (Decrease) in Cash and Cash Equivalents	2,668	(902)
Cash and Cash Equivalents, Beginning of Year	4,042	4,944
Cash and Cash Equivalents, End of Year	$ 6,710	$ 4,042

Major sources of funds came from State noncapital appropriations ($7.2 million), State capital appropriations ($4 million), net student tuition and fees ($2.1 million), Federal Direct Student Loan program receipts ($1.3 million), and Federal and State student financial aid ($1.2 million). Major uses of funds were for payments to employees and for employee benefits ($8.6 million), payment to suppliers of goods and services ($3.7 million), and disbursements to students for the Federal Direct Student Loan program ($1.3 million).

Changes in cash and cash equivalents were the result of the following factors:

- Cash used for operating activities increased by $1.2 million, or 12.5 percent, primarily due to an increase in payments to employees and employee benefits of $0.6 million, a decrease in student tuition and fees and other receipts of $0.4 million, an increase in payments for scholarships of $0.2 million, and a decrease in grants and contracts receipts of $0.2 million offset by a decrease in payments to suppliers of $0.5 million.
- Cash provided by capital and related financing activities increased by $4.1 million, or 1,503 percent, primarily due to an increase of $3 million in State capital appropriations and a decrease of $1.2 million in the purchase of capital assets.
- Cash provided by noncapital financing activities increased by $0.7 million, or 7.7 percent mainly due to an increase of $0.6 million in gifts and grants received from Federal and State and private sources.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the College had $47.5 million in capital assets, less accumulated depreciation of $25.6 million, for net capital assets of $21.9 million. Depreciation charges for the current fiscal year totaled $1.3 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2018	2017
Land	$ 322	$ 322
Construction in Progress	1,402	1,034
Buildings	19,075	19,987
Other Structures and Improvements	139	209
Furniture, Machinery, and Equipment	911	1,118
Assets Under Capital Lease	25	42
Capital Assets, Net	$ 21,874	$ 22,712

Additional information about the College's capital assets is presented in the notes to financial statements.

Capital Expenses and Commitments

Major capital expenses through June 30, 2018, were incurred for the upgrades to the chiller plant system. The College's construction commitments at June 30, 2018, are as follows:

	Amount (In Thousands)
Total Committed	$ 1,528
Completed to Date	(1,402)
Balance Committed	$ 126

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

Debt Administration

As of June 30, 2018, the College had $0.025 million in outstanding capital lease payable, representing a decrease of $0.017 million, or 40 percent, from the prior fiscal year.

Economic Factors That Will Affect the Future

The 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, only a modest increase in State funding is anticipated in the 2018-19 fiscal year. The Board of Trustees has forgone the option of increasing tuition rate for the 2018-19 fiscal year. The College's current financial and capital plans indicate that the College will be able to maintain its present level of services at the existing tuition rate.

Requests for Information

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

FLORIDA KEYS COMMUNITY COLLEGE
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2018

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,478,966	$ 92,473
Restricted Cash and Cash Equivalents	570,156	663,248
Investments	-	5,705,783
Accounts Receivable, Net	397,179	333,968
Due from Other Governmental Agencies	664,811	-
Due from College	-	142,712
Inventories	1,450	-
Prepaid Expenses	464,487	89,112
Deposits Receivable	25,000	-
Total Current Assets	3,602,049	7,027,296
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	4,660,810	-
Depreciable Capital Assets, Net	20,150,115	5,743,184
Nondepreciable Capital Assets	1,723,616	43,774
Other Noncurrent Assets	-	42,850
Total Noncurrent Assets	26,534,541	5,829,808
TOTAL ASSETS	30,136,590	12,857,104
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	25,495	-
Pensions	2,845,848	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,871,343	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	174,271	153,524
Salary and Payroll Taxes Payable	600,257	-
Accrued Interest Payble	-	242,229
Due to College	-	210,572
Unearned Revenue	10,515	-
Deposits Held for Others	145,955	27,750
Long-Term Liabilities - Current Portion:		
Bond Payable	-	8,176,196
Capital Leases Payable	17,755	-
Compensated Absences Payable	21,236	-
Other Postemployment Benefits Payable	25,495	-
Net Pension Liability	49,889	-
Total Current Liabilities	1,045,373	8,810,271

FLORIDA KEYS COMMUNITY COLLEGE
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2018

	College	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Lease Payable	7,330	-
Compensated Absences Payable	494,083	-
Other Postemployment Benefits Payable	143,380	-
Net Pension Liability	5,878,259	-
Total Noncurrent Liabilities	6,523,052	-
TOTAL LIABILITIES	7,568,425	8,810,271
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	8,125	-
Pensions	351,466	-
TOTAL DEFERRED INFLOWS OF RESOURCES	359,591	-
NET POSITION		
Net Investment in Capital Assets	21,848,646	(1,981,005)
Restricted:		
Nonexpendable:		
Endowment	-	2,125,642
Expendable:		
Grants and Loans	335,553	1,593,756
Scholarships	69,402	-
Capital Projects	5,087,628	-
Unrestricted	(2,261,312)	2,308,440
TOTAL NET POSITION	$ 25,079,917	$ 4,046,833

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 Position

For the Fiscal Year Ended June 30, 2018

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $1,073,060	$ 2,024,743	$ -
Federal Grants and Contracts	632,870	-
State and Local Grants and Contracts	13,498	-
Nongovernmental Grants and Contracts	189,066	-
Auxiliary Enterprises	110,179	-
Other Operating Revenues	210,835	1,321,903
Total Operating Revenues	3,181,191	1,321,903
EXPENSES		
Operating Expenses:		
Personnel Services	8,850,351	-
Scholarships and Waivers	498,813	182,005
Utilities and Communications	636,451	-
Contractual Services	1,460,161	-
Other Services and Expenses	1,179,748	614,719
Materials and Supplies	794,903	-
Depreciation	1,300,180	191,607
Total Operating Expenses	14,720,607	988,331
Operating Income (Loss)	(11,539,416)	333,572
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	7,150,672	-
Federal and State Student Financial Aid	1,450,459	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	871,890	-
Investment Income	35,351	537,298
Interest on Capital Asset-Related Debt	(926)	(586,687)
Net Nonoperating Revenues (Expenses)	9,507,446	(49,389)
Income (Loss) Before Other Revenues	(2,031,970)	284,183
State Capital Appropriations	2,753,211	-
Capital Grants, Contracts, Gifts, and Fees	277,723	-
Total Other Revenues	3,030,934	-
Increase in Net Position	998,964	284,183
Net Position, Beginning of Year	24,162,223	3,762,650
Adjustment to Beginning Net Position	(81,270)	-
Net Position, Beginning of Year, as Restated	24,080,953	3,762,650
Net Position, End of Year	$ 25,079,917	$ 4,046,833

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

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FLORIDA KEYS COMMUNITY COLLEGE
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 2,071,423
Grants and Contracts	688,628
Payments to Suppliers	(3,687,099)
Payments for Utilities and Communications	(621,744)
Payments to Employees	(6,820,113)
Payments for Employee Benefits	(1,810,871)
Payments for Scholarships	(498,813)
Auxiliary Enterprises	113,993
Other Receipts	153,020
Net Cash Used by Operating Activities	(10,411,576)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	7,150,672
Federal and State Student Financial Aid	1,233,652
Federal Direct Loan Program Receipts	1,254,581
Federal Direct Loan Program Disbursements	(1,254,581)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	871,890
Net Cash Provided by Noncapital Financing Activities	9,256,214
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	3,997,744
Capital Grants and Gifts	270,057
Purchases of Capital Assets	(461,582)
Principal Paid on Capital Leases	(17,287)
Interest Paid on Capital Leases	(926)
Net Cash Provided by Capital and Related Financing Activities	3,788,006
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	35,353
Net Cash Provided by Investing Activities	35,353
Net Increase in Cash and Cash Equivalents	2,667,997
Cash and Cash Equivalents, Beginning of Year	4,041,935
Cash and Cash Equivalents, End of Year	$ 6,709,932

FLORIDA KEYS COMMIUNITY COLLEGE
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2018

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$(11,539,416)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,300,180
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(212,763)
Due from Other Governmental Agencies	(162,641)
Inventories	315
Prepaid Expenses	(27,713)
Deposits Receivable	(25,000)
Accounts Payable	(210,612)
Salary and Payroll Taxes Payable	79,240
Deposits Held for Others	(32,815)
Compensated Absences Payable	34,657
Other Postemployment Benefits Payable	(14,121)
Net Pension Liability	482,137
Deferred Outflows of Resources Related to Other Postemployment Benefits	(25,495)
Deferred Inflows of Resources Related to Other Postemployment Benefits	8,125
Deferred Outflows of Resources Related to Pensions	(296,856)
Deferred Inflows of Resources Related to Pensions	231,202
NET CASH USED BY OPERATING ACTIVITIES	$(10,411,576)

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

NOTES TO FINANCIAL STATEMENTS

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 College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of seven members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education (SBE) rules. However, the 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 SBE rules. The College serves Monroe County.

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 Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the Board of Trustees are such that exclusion would cause the College's financial statements to be misleading. Based on 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.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following component units are included within the College's reporting entity:

- Florida Keys Educational Foundation, Inc. (Educational Foundation): This legally separate organization provides funding and services to support and foster the pursuit of higher education at the College and is governed by a separate board. The purpose of the Educational Foundation is to assist in the achievement of the College's mission by soliciting, administering, and optimizing resources through matching programs, private gifts, bequests, and donations to support the College's students and to enhance teaching and learning at the College.
- Florida Keys College Campus Foundation, Inc. (Campus Foundation): This legally separate organization provides funding and services to support and foster the pursuit of higher education at the College and is governed by a separate board. The purpose of the Campus Foundation is to assist in the achievement of the College's mission by receiving, investing, and administering real and personal property including, but not limited to, the construction and management of College dormitories for the benefit of students of the College.

The component units are also direct-support organizations, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, are financially accountable to the College. The Foundations are managed independently, outside the College's budgeting process, and their powers generally are vested in a governing board pursuant to various State statutes. The Foundations receive, hold, invest, and administer property, and make expenditures to or for the benefit of the College.

The component units are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The audited financial statements are available to the public and can be obtained from the Office of the Controller at Florida Keys Community College, 5901 College Road, Key West, Florida 33040. The financial data reported on the accompanying financial statements was derived from the Educational

Foundation's audited financial statements for the fiscal year ended March 31, 2018, and the Campus Foundation's audited financial statements for the fiscal year ended September 30, 2017. Additional condensed financial statements for the College's component units are included in a subsequent note.

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

Measurement Focus and Basis of Accounting. Basis of accounting refers to when revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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, liabilities, and deferred inflows of resources 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 the accrual basis of accounting. The Educational Foundation follows FASB standards of accounting and financial reporting for not-for-profit organizations and the Campus Foundation follows GASB standards of accounting and financial reporting.

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, and investment income (net of unrealized gains or losses on investments). Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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 identified, within its accounting system, amounts paid for tuition and fees by financial aid. The College records a scholarship allowance against student tuition and fees for the total 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 cash invested with the State Board of Administration (SBA) Florida PRIME investment pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less, that are not held solely for income or profit, to be cash equivalents. Under this definition, the College considers amounts invested in the 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.

Under an agreement with a local bank, all funds are held in a checking account and earn interest at the monthly average Federal Funds rate with a floor of 0.5 percent and ceiling of 2 percent, and are secured with a perfected interest in United States Government Securities, Federal Agency Securities, Municipal Bonds, or Corporate Bonds.

At June 30, 2018, the College reported as cash equivalents $98,921 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, 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 30 days as of June 30, 2018. 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 amortized cost. Section 218.409(8)(a), Florida Statutes, provides that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2018, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Capital Assets. College capital assets consist of land, construction in progress, buildings, other structures and improvements, furniture, machinery, and equipment, and assets under capital leases. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition 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
- Assets Under Capital Leases– Life of Lease

Noncurrent Liabilities. Noncurrent liabilities include capital leases payable, compensated absences payable, other postemployment benefits payable, and net pension liabilities that are not scheduled to be paid within the next fiscal year.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Reporting Change

The College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability.

3. Adjustment to Beginning Net Position

The beginning net position of the College was decreased by $81,270 due to implementation of GASB Statement No. 75. The College's total OPEB liability reported at June 30, 2017, increased by $81,270 to $182,996 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75. The beginning balances for deferred outflows and inflows of resources were not restated.

4. Deficit Net Position in Individual Funds

The College reported an unrestricted net position which included a deficit in the current funds - unrestricted, as shown below. This deficit can be attributed to the full recognition of long-term liabilities (i.e., compensated absences payable, OPEB payable, and net pension liabilities) in the current unrestricted funds.

Fund	Net Position
Current Funds - Unrestricted	$ (2,322,435)
Auxiliary Funds	61,123
Total	$ (2,261,312)

5. Investments

The 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 SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; 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; and other investments approved by the Board of Trustees as authorized by law.

Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

Fair Value Measurement. The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

As of June 30, 2018, the College does not hold investment accounts.

Component Unit Investments.

Investments held by the Educational Foundation at March 31, 2018, are reported at fair value (level 1 inputs) as follows:

Investment Type	Amount
Mutual Funds - Equities	$ 5,534,793
Mutual Funds - Fixed Income	170,990
Total Component Unit Investments	$ 5,705,783

6. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a $31,198 allowance for doubtful accounts.

7. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of $204,893 for the Federal Pell Grant program, $116,521 of Public Education Capital Outlay allocations due from the State for remodeling, renovation, maintenance, and site improvement of College facilities and $246,528 for various grant programs.

8. Due From and To Component Units/College

The $142,712 reported as due from College consists of amounts owed by the College to the Campus Foundation, pursuant to an agreement whereby the Campus Foundation relies on the College to receive all cash receipts for the Campus Foundation's rental receivables. The $210,572 reported as due to College consists of amounts owed by the Campus Foundation to the College, pursuant to an agreement prior to July 1, 2015, whereby the College paid expenses of the student housing building on behalf of the Campus Foundation. The College's financial statements are reported for the fiscal year ended June 30, 2018. The Campus Foundation's financial statements are reported for the fiscal year ended September 30, 2017. Accordingly, amounts reported by the College as due from and to component units on the statement of net position do not agree with amounts reported by the component units as due from and to the College.

9. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2018, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 321,796	$ -	$ -	$ 321,796
Construction in Progress	1,034,426	367,394	-	1,401,820
Total Nondepreciable Capital Assets	$ 1,356,222	$ 367,394	$ -	$ 1,723,616
Depreciable Capital Assets:				
Buildings	$ 39,562,270	$ -	$ -	$ 39,562,270
Other Structures and Improvements	2,837,675	-	-	2,837,675
Furniture, Machinery, and Equipment	3,256,454	94,188	58,018	3,292,624
Assets Under Capital Leases	66,585	-	-	66,585
Total Depreciable Capital Assets	45,722,984	94,188	58,018	45,759,154
Less, Accumulated Depreciation:				
Buildings	19,575,341	912,452	-	20,487,793
Other Structures and Improvements	2,628,575	69,700	-	2,698,275
Furniture, Machinery, and Equipment	2,138,748	300,741	58,018	2,381,471
Assets Under Capital Leases	24,213	17,287	-	41,500
Total Accumulated Depreciation	24,366,877	1,300,180	58,018	25,609,039
Total Depreciable Capital Assets, Net	$ 21,356,107	$ (1,205,992)	$ -	$ 20,150,115

Capital assets activity of the Campus Foundation for the fiscal year ended September 30, 2017, and Educational Foundation for fiscal year ended March 31, 2018, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 43,774	$ -	$ -	$ 43,774
Depreciable Capital Assets:				
Buildings	$ 6,683,150	$ -	$ -	$ 6,683,150
Furniture, Machinery, and Equipment	238,325			238,325
Total Depreciable Capital Assets	6,921,475	-	-	6,921,475
Less, Accumulated Depreciation:				
Buildings	819,972	158,726	-	978,698
Furniture, Machinery, and Equipment	166,712	32,881		199,593
Total Accumulated Depreciation	986,684	191,607	-	1,178,291
Total Depreciable Capital Assets, Net	$ 5,934,791	$ (191,607)	$ -	$ 5,743,184

10. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2018, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Leases Payable	$ 42,372	$ -	$ 17,287	$ 25,085	$ 17,755
Compensated Absences Payable	480,662	56,733	22,076	515,319	21,236
Other Postemployment Benefits Payable (1)	182,996	18,828	32,949	168,875	25,495
Net Pension Liability	5,446,011	4,076,504	3,594,367	5,928,148	49,889
Total Long-Term Liabilities	$ 6,152,041	$ 4,152,065	$ 3,666,679	$ 6,637,427	$ 114,375

(1) OPEB Payable beginning balance adjusted for adoption of GASB Statement No. 75, as described in Notes 2. and 3.

Bond Payable – Component Unit. On November 1, 2010, the Campus Foundation, issued $8,305,000 of Senior Leasehold Industrial Development Revenue Bond, Series 2010 (Bond). The Bond was issued to pay for the construction of a new 100-bed college dormitory facility (student residence hall) for the benefit of the College.

The Bond mature on November 1, 2044, and bear interest at a rate of 7 percent per annum, payable May 1, 2012 and semiannually thereafter on May 1 and November 1 in each year. The unamortized bond discount is being amortized over 31 years. The following is a summary of debt transactions for the fiscal year ending September 30, 2017:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Bond Payable	$ 8,305,000	$ -	$ -	$ 8,305,000
Less: Unamortized Bond Discount	(134,141)	-	(5,337)	(128,804)
Total Long-Term Liabilities	$ 8,170,859	$ -	$ (5,337)	$ 8,176,196

The Bond contain certain financial covenants, including a minimum debt service ratio, revenue greater than debt ratio, and a day's cash on hand ratio. Based on the Supplemental Trust Indenture dated December 31, 2012, the Campus Foundation is in default on the Trust Indenture and, as such, the Bond is due and payable upon demand. On February 26, 2013, the Trustee for the bond issued a notice of default indicating that the Campus Foundation was in violation of provisions of the Trust Indenture. On May 1, 2014, the Campus Foundation entered into a forbearance agreement with the Trustee in which the Trustee will temporarily forbear exercising its rights and remedies. The Forbearance Agreement allowed the Campus Foundation to make a partial payment of 5 percent with the remaining 2 percent deferred for 1 year, and 1 additional year upon consent of both parties. On July 6, 2016, the Campus Foundation and Trustee signed a new Forbearance Agreement, effective May 1, 2016, extending the debt terms through December 31, 2016. As of the date of this report, there has been no new forbearance agreement and no refinancing of the existing Bond. As such, the Campus Foundation is considered to be in default and all of the debt was considered payable at January 1, 2017. The Bond is collateralized by the revenues of the Campus Foundation and by the building constructed by the Campus Foundation.

The unamortized Bond discount is amortized over the life of the debt and considered current. The total interest incurred for the year ended September 30, 2017, was $581,350.

Capital Leases Payable. Printer equipment in the amount of $66,585 is being acquired under two capital lease agreements. The imputed interest rates are 2.97 percent on a $59,146 lease and 0.876 percent on a $7,439 lease. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Amount
2019	$ 18,213
2020	7,380
Total Minimum Payments	25,593
Less, Amount Representing Interest	508
Present Value of Minimum Payments	$ 25,085

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, 2018, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $515,319. The current portion of the compensated absences liability, $21,236, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for other postemployment benefits administered by the Florida College System Risk Management Consortium.

General Information about the OPEB Plan

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) administered by the Florida College System Risk Management Consortium that provides OPEB for all employees who satisfy the College's retirement eligibility provisions. 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 health care and life insurance coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB 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 OPEB Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. The OPEB Plan contribution requirements and benefit terms of the College and the OPEB Plan members are established and may be amended by action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Employees Covered by Benefit Terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	6
Inactive Employees Entitled to But Not Yet Receiving Benefits	2
Active Employees	94
Total	102

Total OPEB Liability

The College's total OPEB liability of $168,875 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60 percent
Salary increases	4.00 – 7.80 percent, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	
Pre-Medicare	7.50 percent for 2017, decreasing to an ultimate rate of 5.50 percent for 2023
Medicare	5.50 percent for 2017, decreasing to an ultimate rate of 5.00 percent by 2020

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the Generational RP-2014 with adjustments for FRS experience and generational mortality improvements using Scale MP-2014.

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017, valuation were based on a review of recent plan experience done concurrently with the June 30, 2017, valuation.

Changes in the Total OPEB Liability

	Amount
Balance at 6/30/17, as Restated	$ 182,996
Changes for the year:	
Service Cost	13,677
Interest	5,151
Changes in Assumptions or Other Inputs	(9,005)
Benefit Payments	(23,944)
Net Changes	(14,121)
Balance at 6/30/18	$ 168,875

Changes of assumptions and other inputs reflect a change in the discount rate from 3.01 percent in 2016 to 3.56 percent in 2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56 percent) or 1 percentage point higher (4.56 percent) than the current rate:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	$185,913	$168,875	$154,479

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$148,180	$168,875	$195,427

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the College recognized OPEB expense of $17,948. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions or other inputs	$ -	$ 8,125
Transactions subsequent to the measurement date	25,495	-
Total	$ 25,495	$ 8,125

Of the total amount reported as deferred outflows of resources related to OPEB, $25,495 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ (880)
2020	(880)
2021	(880)
2022	(880)
2023	(880)
Thereafter	(3,725)
Total	$ (8,125)

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the College recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2018, the College's proportionate share of the net pension liabilities totaled $5,928,148. Note 11. includes a complete discussion of defined benefit pension plans.

11. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the HIS Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the College are eligible to enroll as members of the State-administered 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 FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida

Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of 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 Web site (www.dms.myflorida.com).

The College's FRS and HIS pension expense totaled $908,522 for the fiscal year ended June 30, 2018.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class* (SMSC) – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service. 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. 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 to eligible participants.

The 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-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were:

	Percent of Gross Salary	
Class	Employee	Employer (1)
FRS, Regular	3.00	7.92
FRS, Senior Management Service	3.00	22.71
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	13.26
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The College's contributions to the Plan totaled $396,348 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the College reported a liability of $4,073,795 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The College's proportionate share of the net pension liability was based on the College's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the College's proportionate share was

0.013772438 percent, which was an increase of 0.000137313 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $767,531. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 373,876	$ 22,567
Change of assumptions	1,369,083	-
Net difference between projected and actual earnings on FRS Plan investments	-	100,959
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	243,988	-
College FRS contributions subsequent to the measurement date	396,348	-
Total	$ 2,383,295	$ 123,526

The deferred outflows of resources related to pensions totaling $396,348, resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 300,392
2020	650,840
2021	439,347
2022	93,608
2023	276,239
Thereafter	102,995
Total	$ 1,863,421

Actuarial Assumptions. The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.10 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (Property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

(1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.10 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2017 valuation was updated from 7.60 percent to 7.10 percent.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.10 percent) or 1 percentage point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
College's proportionate share of the net pension liability	$7,373,322	$4,073,795	$1,334,431

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the

Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled $95,693 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the College reported a net pension liability of $1,854,353 for its proportionate share of the net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within 1 year, net of the College's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The College's proportionate share of the net pension liability was based on the College's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the College's proportionate share was 0.017342620 percent, which was an increase of 0.000155129 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $140,991. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual eperience	$ -	$ 3,861
Change of assumptions	260,658	160,348
Net difference between projected and actual earnings on HIS Plan investments	1,028	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	105,174	63,731
College contributions subsequent to the measurement date	95,693	-
Total	$ 462,553	$ 227,940

The deferred outflows of resources totaling $95,693, resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 30,334
2020	30,139
2021	30,046
2022	38,445
2023	28,577
Thereafter	(18,621)
Total	$ 138,920

Actuarial Assumptions. The total pension liability at July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal bond rate	3.58 percent

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.58 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2017 valuation was updated from 2.85 percent to 3.58 percent.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
College's proportionate share of the net pension liability	$2,116,062	$1,854,353	$1,636,364

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

12. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State's Comprehensive Annual Financial Report.

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. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2017-18 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Senior Management Service	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

After termination and applying to receive benefits, the member may roll over vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The College's Investment Plan pension expense totaled $223,705 for the fiscal year ended June 30, 2018.

13. Construction Commitments

The College's major construction commitments at June 30, 2018, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Chiller Plant Upgrade	$ 1,527,637	$ (1,401,820)	$ 125,817

14. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to $200 million to February 28, 2018, and up to $100 million from March 1, 2018, for property insurance. 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 3 fiscal years.

Dental, supplemental health, and short-term disability coverage are provided through purchased commercial insurance.

15. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 5,076,207
Public Services	29,449
Academic Support	1,480,193
Student Services	884,102
Institutional Support	2,792,908
Operation and Maintenance of Plant	2,485,468
Scholarships and Waivers	562,438
Depreciation	1,300,180
Auxiliary Enterprises	109,662
Total Operating Expenses	$ 14,720,607

16. Discretely Presented Component Units

The College has two discretely presented component units as discussed in Note 1. These component units represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

Condensed Statement of Net Position

	Direct-Support Organizations		
	Florida Keys College Campus Foundation, Inc. (1)	Florida Keys Educational Foundation, Inc. (2)	Total
Assets:			
Current Assets	$ 1,103,191	$ 5,924,105	$ 7,027,296
Capital Assets, Net	5,729,589	57,369	5,786,958
Other Noncurrent Assets	-	42,850	42,850
Total Assets	6,832,780	6,024,324	12,857,104
Liabilities:			
Current Liabilities	8,732,777	77,494	8,810,271
Net Position:			
Net Investment in Capital Assets	(1,981,005)	-	(1,981,005)
Restricted Nonexpendable	-	2,125,642	2,125,642
Restricted Expendable	-	1,593,756	1,593,756
Unrestricted	81,008	2,227,432	2,308,440
Total Net Position	$ (1,899,997)	$ 5,946,830	$ 4,046,833

(1) Amounts are for the fiscal year ended September 30, 2017.

(2) Amounts are for the fiscal year ended March 31, 2018.

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

	Direct-Support Organizations		
	Florida Keys College Campus Foundation, Inc. (1)	Florida Keys Educational Foundation, Inc. (2)	Total
Operating Revenues	$ 1,088,663	$ 233,240	$ 1,321,903
Depreciation Expense	(188,887)	(2,720)	(191,607)
Operating Expenses	(313,357)	(483,367)	(796,724)
Operating Income (Loss)	586,419	(252,847)	333,572
Net Nonoperating Revenues (Expenses):			
Nonoperating Revenues	652	536,646	537,298
Interest Expense	(586,687)	-	(586,687)
Net Nonoperating Revenues (Expenses)	(586,035)	536,646	(49,389)
Increase in Net Position	384	283,799	284,183
Net Position, Beginning of Year	(1,900,381)	5,663,031	3,762,650
Net Position, End of Year	$ (1,899,997)	$ 5,946,830	$ 4,046,833

(1) Amounts are for the fiscal year ended September 30, 2017.

(2) Amounts are for the fiscal year ended March 31, 2018.

17. Liquidity and Management Plans

As reflected in Note 16., the Campus Foundation has incurred cumulative net losses of $1,899,997, as of the year ended September 30, 2017. Realization of the carrying value of the assets included in the statement of net position is dependent on the Campus Foundation's successful future operations of the student housing facility. In addition, at September 30, 2017, the Campus Foundation was in default on its bond.

As discussed in Note 10., the Campus Foundation's bond payable is subject to compliance with provisions of a Trust Indenture and forbearance agreement with the Trustee. This forbearance agreement expired on December 31, 2016. As of December 31, 2016, the Campus Foundation has debt of $8,305,000 that is in default. Since the bond holder asserts that the Campus Foundation's capital assets are pledged as collateral for the bond payable, foreclosure by the bank would seriously impair the Campus Foundation's ability to continue as a going concern and to realize its investment in assets through future successful operations.

Management has met with the bond holder and a developer in an attempt to sell and convey the Lagoon Landing Facility to the developer free and clear of the lien of the Campus Foundation Mortgage. The College is the owner of the land upon which the building sits and would lease the land to the developer. This deal would allow the Campus Foundation to pay the bond payable; however, this has not been completed as of the date of this report.

Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios

	2017
Total OPEB Liability	
Service cost	$ 13,677
Interest	5,151
Changes of assumptions or other inputs	(9,005)
Benefit Payments	(23,944)
Net change in total OPEB liability	(14,121)
Total OPEB Liability - beginning, as Restated	182,996
Total OPEB Liability - ending	$ 168,875
Covered-Employee Payroll	$ 5,279,849
Total OPEB Liability as a percentage of covered-employee payroll	3.20%

Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan

	2017 (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
College's proportion of the FRS net pension liability	0.013772438%	0.013635125%	0.013471189%	0.012608178%	0.010386350%
College's proportionate share of the FRS net pension liability	$ 4,073,795	$ 3,442,880	$ 1,739,985	$ 769,284	$ 1,787,952
College's covered payroll (2)	$ 5,556,683	$ 5,308,969	$ 4,807,070	$ 4,703,422	$ 5,559,097
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	73.31%	64.85%	36.20%	16.36%	32.16%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	83.89%	84.88%	92.00%	96.09%	88.54%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of College Contributions – Florida Retirement System Pension Plan

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	$ 396,348	$ 358,530	$ 330,000	$ 328,439	$ 276,173
FRS contributions in relation to the contractually required contribution	(396,348)	(358,530)	(330,000)	(328,439)	(276,173)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 5,794,859	$ 5,556,683	$ 5,308,969	$ 4,807,070	$ 4,703,422
FRS contributions as a percentage of covered payroll	6.84%	6.45%	6.22%	6.83%	5.87%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan

	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
College's proportion of the HIS net pension liability	0.01734262%	0.017187491%	0.015844871%	0.015826542%	0.017473573%
College's proportionate share of the HIS net pension liability	$ 1,854,353	$ 2,003,131	$ 1,615,928	$ 1,479,820	$ 1,521,304
College's covered payroll (2)	$ 5,556,683	$ 5,308,969	$ 4,807,070	$ 4,703,422	$ 5,559,097
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.37%	37.73%	33.62%	31.46%	27.37%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	1.64%	0.97%	0.50%	0.99%	1.78%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

Schedule of College Contributions – Health Insurance Subsidy Pension Plan

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required HIS contribution	$ 95,693	$ 91,782	$ 61,000	$ 60,569	$ 54,216
HIS contributions in relation to the contractually required HIS contribution	(95,693)	(91,782)	(61,000)	(60,569)	(54,216)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 5,794,859	$ 5,556,683	$ 5,308,969	$ 4,807,070	$ 4,703,422
HIS contributions as a percentage of covered payroll	1.65%	1.65%	1.15%	1.26%	1.15%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

1. Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions. The Municipal Bond Index Rate used to determine total OPEB liability increased from 3.01 percent at the prior measurement date to 3.56 percent at the current measurement date.

2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions. The long-term expected rate of return was decreased from 7.60 percent to 7.10 percent, and the active member mortality assumption was updated.

3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Assumptions. The municipal rate used to determine total pension liability increased from 2.85 percent to 3.58 percent.

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Legislative Auditing Committee

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

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 the Florida Keys Community College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 12, 2019, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate 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 from 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 this report is solely to describe the scope of our testing of internal control and compliance and the results 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 communication is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 12, 2019