

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

**THE COLLEGE OF THE FLORIDA KEYS**

For the Fiscal Year Ended  
June 30, 2019



Sherrill F. Norman, CPA  
Auditor General

## **Board of Trustees and President**

During the 2018-19 fiscal year, Dr. Jonathan Gueverra served as President of The College of the Florida Keys and the following individuals served as Members of the Board of Trustees:

Stephanie S. Scuderi, Chair  
Kevin Madok, Vice Chair  
John Domenech  
Dan Leben from 7-12-18<sup>a</sup>  
Michael H. Puto  
Elena G. Spottswood  
Sheldon Suga

<sup>a</sup> Trustee position vacant 7-1-18,  
through 7-11-18.

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](mailto:jaimehoelscher@aud.state.fl.us) or by telephone at (850) 412-2868.

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**State of Florida Auditor General**

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**THE COLLEGE OF THE FLORIDA KEYS**  
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## SUMMARY

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### SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of The College of the Florida Keys<sup>1</sup> (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 The College of the Florida Keys 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, 2019. 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.

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<sup>1</sup> The College's Board of Trustees approved the name change from Florida Keys Community College to The College of the Florida Keys effective July 1, 2019, pursuant to Section 1001.60(2)(b), Florida Statutes.



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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Tallahassee, Florida 32399-1450



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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 The College of the Florida Keys, 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, 2019, 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 aggregate discretely presented component units, 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 The College of the Florida Keys and of its aggregate discretely presented component units as of June 30, 2019, 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 Matter***

As discussed in Note 1. to the financial statements, the Florida Keys College Campus Foundation, Inc. (Campus Foundation) ceased operations on April 30, 2019, and transferred all assets, liabilities, and operations to The College of the Florida Keys during the 7-month period ending on that date. The Campus Foundation account balances and financial activities are reported in the discretely presented component units columns for the period October 1, 2017, through April 30, 2019. This affects the comparability of amounts reported for the 2018-19 fiscal years with the amounts reported for the 2017-18 fiscal year. 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 27, 2020, on our consideration of The College of the Florida Keys' 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 College of the Florida Keys' internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 27, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2019, 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, 2019, and June 30, 2018, and its component units: the Florida Keys Educational Foundation, Inc. for the fiscal years ended March 31, 2019, and March 31, 2018; and the Florida Keys College Campus Foundation, Inc. for the 19-month period ended April 30, 2019, and the fiscal year ended September 30, 2017.

### **The College of the Florida Keys Name Change**

The College's Board of Trustees approved the name change from Florida Keys Community College to The College of the Florida Keys effective July 1, 2019, pursuant to Section 1001.60(2)(b), Florida Statutes.

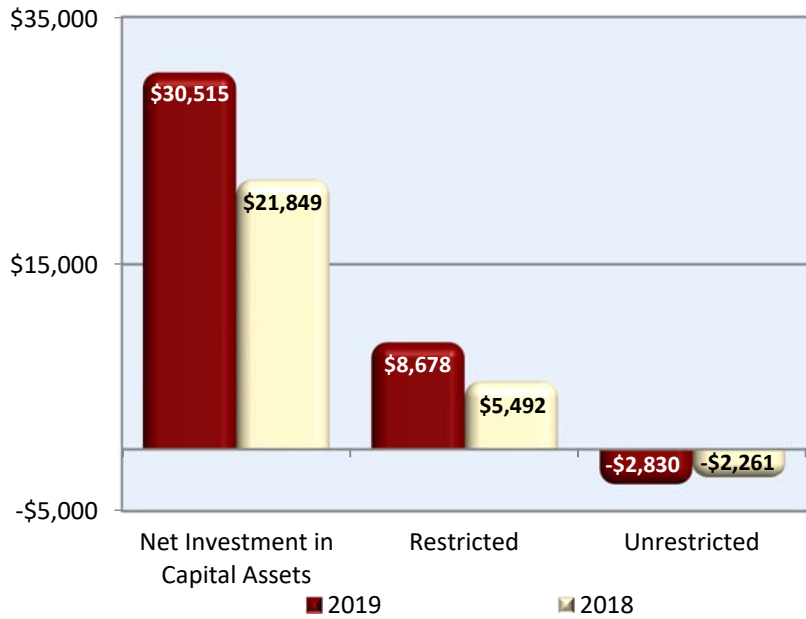
<b>FINANCIAL HIGHLIGHTS</b>
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The College's assets and deferred outflows of resources totaled \$44.8 million at June 30, 2019. This balance reflects a \$11.8 million, or 35.8 percent, increase as compared to the 2017-18 fiscal year, resulting from an increase in capital assets of \$8.6 million mainly from a transfer of capital assets from the Campus Foundation and a \$6.4 million increase in due from governmental agencies, offset in part by a \$3 million decrease in noncurrent restricted cash and a \$0.1 million decrease in other current assets. While assets and deferred outflows of resources increased, liabilities and deferred inflows of resources also increased by \$0.5 million, or 6.6 percent, totaling \$8.4 million at June 30, 2019, resulting mainly from an increase of \$0.2 million in deferred inflows of resources and \$0.2 million in noncurrent liabilities. As a result, the College's net position increased by \$11.3 million, resulting in a year-end balance of \$36.4 million.

The College's operating revenues totaled \$3.3 million for the 2018-19 fiscal year, representing a 3.9 percent increase compared to the 2017-18 fiscal year due mainly to a \$0.2 million increase in student tuition and fees offset by a \$0.1 million decrease in grants and contracts. Operating expenses totaled \$14.3 million for the 2018-19 fiscal year, representing a \$0.4 million decrease, or 2.6 percent as compared to the 2017-18 fiscal year due primarily to decreases of \$0.2 million in contractual services, \$0.2 million in other services and expenses, \$0.2 million in materials and supplies, \$0.1 million in depreciation, and \$0.1 million in scholarships and waivers, offset by an increase of \$0.5 million in personnel services.

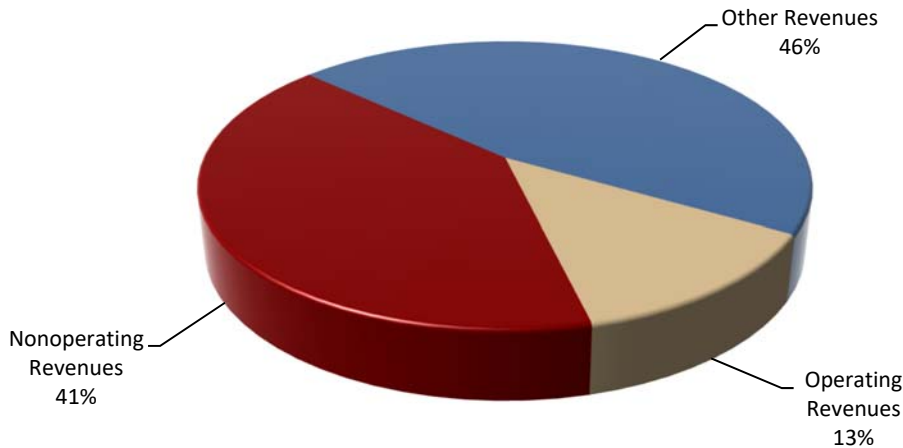
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2019, and June 30, 2018, is shown in the following graph:

**Net Position  
(In Thousands)**



The following chart provides a graphical presentation of College revenues by category for the 2018-19 fiscal year:

**Total Revenues  
2018-19 Fiscal Year**



**OVERVIEW OF FINANCIAL STATEMENTS**

Pursuant to Governmental Accounting Standards 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, provide information on the College as a whole, present a long-term view of the College’s finances, and include the following entities:

- The College of the Florida Keys (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Florida Keys Educational Foundation, Inc. (Educational Foundation) (Discretely Presented Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities as a discretely presented component unit to the State of Florida.
- Florida Keys College Campus Foundation, Inc. (Campus Foundation) (Discretely Presented Component Unit) - Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities as a discretely presented component unit to the State of Florida. As discussed in Note 1. to the financial statements, the Campus Foundation ceased operations on April 30, 2019, and transferred all assets, liabilities, and operations to the College during the 7-month period ending on that date.

Information regarding these component units is presented in the MD&A and 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 College's 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 <sup>(1)</sup>	
	06-30-19	06-30-18	2019	2018
<b>Assets</b>				
Current Assets	\$ 9,796	\$ 3,602	\$ 5,992	\$ 7,027
Capital Assets, Net	30,522	21,874	55	5,787
Other Noncurrent Assets	1,697	4,661	23	43
<b>Total Assets</b>	<b>42,015</b>	<b>30,137</b>	<b>6,070</b>	<b>12,857</b>
<b>Deferred Outflows of Resources</b>	<b>2,798</b>	<b>2,871</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>				
Current Liabilities	1,143	1,045	47	8,810
Noncurrent Liabilities	6,714	6,523	-	-
<b>Total Liabilities</b>	<b>7,857</b>	<b>7,568</b>	<b>47</b>	<b>8,810</b>
<b>Deferred Inflows of Resources</b>	<b>593</b>	<b>360</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>				
Net Investment in Capital Assets	30,515	21,849	-	(1,981)
Restricted	8,678	5,492	3,906	3,720
Unrestricted	(2,830)	(2,261)	2,117	2,308
<b>Total Net Position</b>	<b>\$ 36,363</b>	<b>\$ 25,080</b>	<b>\$ 6,023</b>	<b>\$ 4,047</b>

(1) For the 2019 year, the amounts reported are for the fiscal year ended March 31, 2019, for the Educational Foundation, and for the 19-month period ended April 30, 2019, for the Campus Foundation. 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.

Significant events include the following:

- Current assets increased by \$6.2 million, or 172 percent, due primarily to a \$6.4 million increase in due from other governmental agencies mainly as a result of a \$5.2 million increase in receivable from Public Education Capital Outlay (PECO) to fund the construction of a new dual-purpose Charter High School and Emergency Operations Center building and for maintenance and repairs and a receivable of \$1.1 million to settle an intergovernmental dispute with the Monroe County District School Board. These increases were offset, in part, by decreases totaling \$0.2 million in current cash and cash equivalents, accounts receivable, prepaid expenses and deposits.
- Capital assets increased by \$8.6 million, or 39.5 percent, primarily due to a \$5.4 million transfer of a capital asset from the Campus Foundation, a \$3.5 million acquisition of land in the Upper Keys area, a \$1.6 million chiller upgrade and a parking lot renovation totaling \$0.7 million. These increases were offset, in part, by an increase in accumulated depreciation of depreciable capital assets, as a result of depreciation expense of \$1.2 million in the 2018-19 fiscal year.
- Other noncurrent assets decreased by \$3 million, or 63.6 percent, primarily due to the use of restricted cash and cash equivalent to acquire land in the Upper Keys area.
- Net position increased \$11.3 million, or 45 percent, mainly due to a \$8.7 million increase in net investment in capital assets as a result of the transfer of capital assets from the Campus Foundation and additions to land in the Upper Keys area.

## **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)	
	2018-19	2017-18	2019	2018
Operating Revenues	\$ 3,304	\$ 3,181	\$ 1,662	\$ 1,322
Less, Operating Expenses	14,342	14,720	1,127	988
<b>Operating Income (Loss)</b>	(11,038)	(11,539)	535	334
Net Nonoperating Revenues (Expenses)	10,400	9,507	(765)	(49)
<b>Income (Loss) Before Other Revenues</b>	(638)	(2,032)	(230)	285
Other Revenues	11,921	3,031	2,206	-
<b>Net Increase In Net Position</b>	11,283	999	1,976	285
Net Position, Beginning of Year	25,080	24,162	4,047	3,762
Adjustment to Beginning Net Position (2)	-	(81)	-	-
<b>Net Position, Beginning of Year, as Restated</b>	25,080	24,081	4,047	3,762
<b>Net Position, End of Year</b>	<u>\$ 36,363</u>	<u>\$ 25,080</u>	<u>\$ 6,023</u>	<u>\$ 4,047</u>

(1) For the 2019 year, the amounts reported are for the fiscal year ended March 31, 2019, for the Educational Foundation, and for the 19-month period ended April 30, 2019, for the Campus Foundation. 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.

(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**

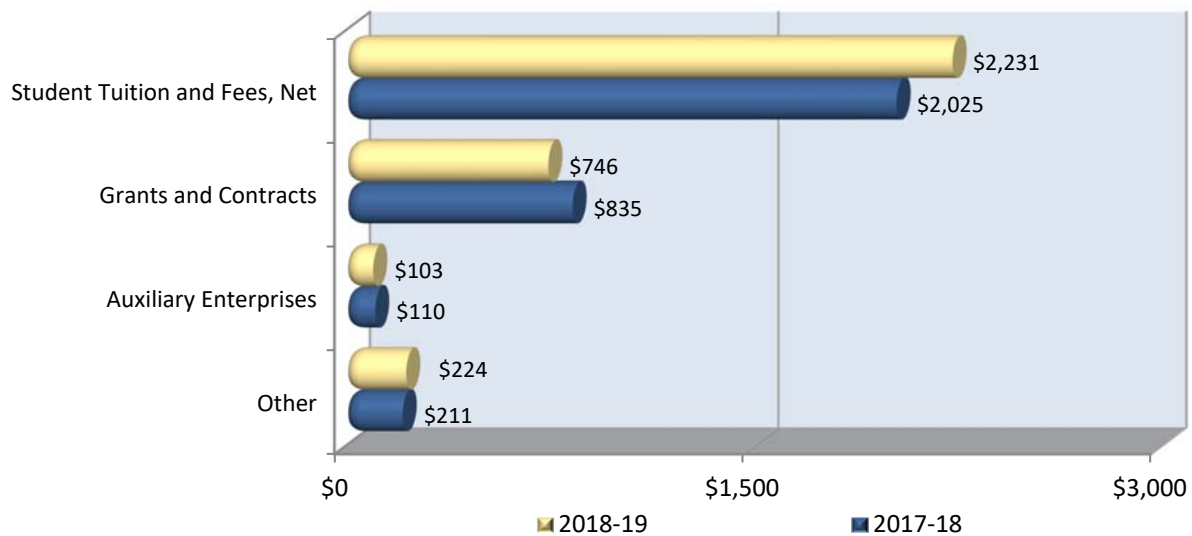
(In Thousands)

	College		Component Units (1)	
	2018-19	2017-18	2019	2018
Student Tuition and Fees, Net	\$ 2,231	\$ 2,025	\$ -	\$ -
Grants and Contracts	746	835	-	-
Auxiliary Enterprises	103	110	-	-
Other	224	211	1,662	1,322
<b>Total Operating Revenues</b>	<b>\$ 3,304</b>	<b>\$ 3,181</b>	<b>\$ 1,662</b>	<b>\$ 1,322</b>

(1) For the 2019 year, the amounts reported are for the fiscal year ended March 31, 2019, for the Educational Foundation, and for the 19-month period ended April 30, 2019, for the Campus Foundation. 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.

The following chart presents the College’s operating revenues for the 2018-19 and 2017-18 fiscal years:

**Operating Revenues  
(In Thousands)**



College operating revenue increased due to an increase of \$0.2 million in student tuition and fees over the prior year. This increase in student tuition and fees was primarily due to a decrease of \$0.1 million in scholarship allowance, and an overall increase of \$0.1 million in student fees.

**Operating Expenses**

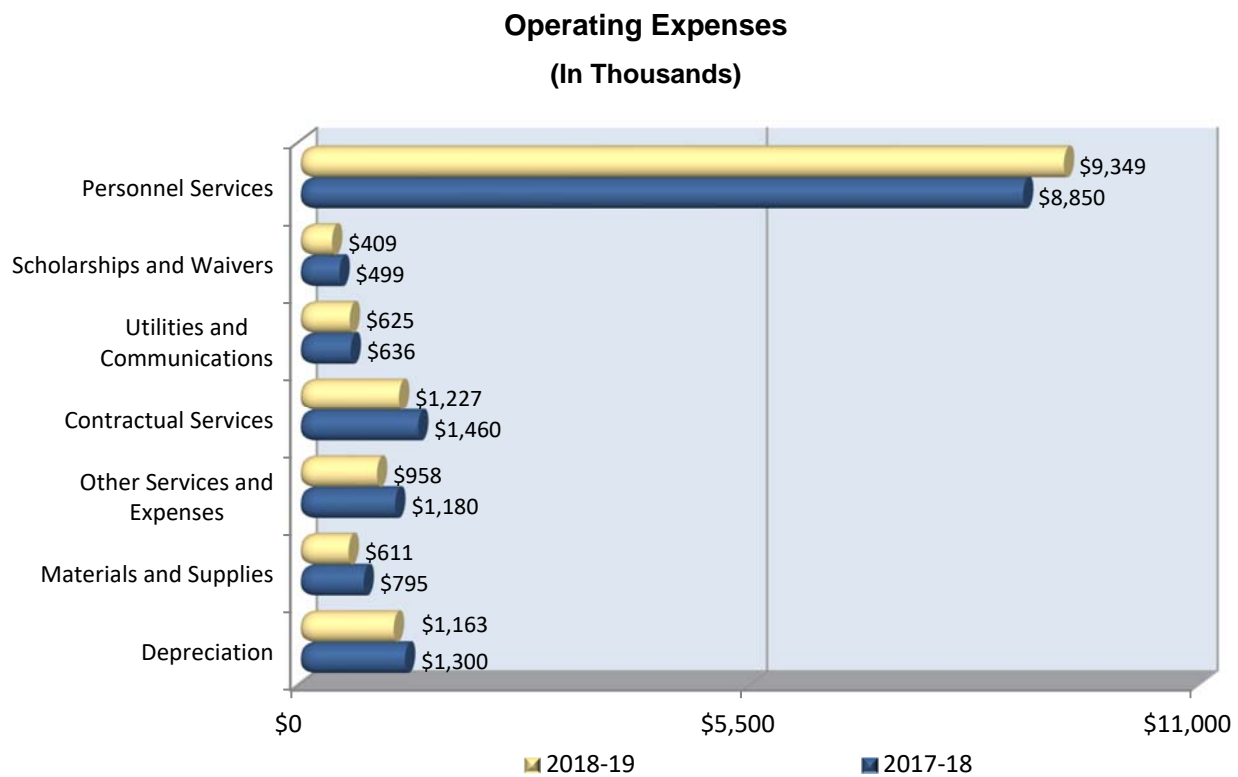
Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen 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:

	<b>Operating Expenses For the Fiscal Years</b>			
	<b>(In Thousands)</b>		<b>Component Units (1)</b>	
	<b>College 2018-19</b>	<b>College 2017-18</b>	<b>2019</b>	<b>2018</b>
Personnel Services	\$ 9,349	\$ 8,850	\$ -	\$ -
Scholarships and Waivers	409	499	157	182
Utilities and Communications	625	636	-	-
Contractual Services	1,227	1,460	-	-
Other Services and Expenses	958	1,180	691	614
Materials and Supplies	611	795	-	-
Depreciation	1,163	1,300	279	192
<b>Total Operating Expenses</b>	<b>\$ 14,342</b>	<b>\$ 14,720</b>	<b>\$ 1,127</b>	<b>\$ 988</b>

(1) For the 2019 year, the amounts reported are for the fiscal year ended March 31, 2019, for the Educational Foundation, and for the 19-month period ended April 30, 2019, for the Campus Foundation. 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.

The following chart presents the College's operating expenses for the 2018-19 and 2017-18 fiscal years:



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

- Personnel services increased by \$0.5 million, or 5.6 percent, primarily due to vacant positions filled.
- Contractual services decreased by \$0.2 million, or 16 percent, and other services and expenses also decreased \$0.2 million, or 18.8 percent, primarily due to completion of repair and maintenance projects in the prior fiscal year.
- Materials and supplies decreased by \$0.2 million, or 23.1 percent, primarily due to non-capitalized equipment purchased in the prior year.

### **Nonoperating Revenues and Expenses**

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2018-19 and 2017-18 fiscal years:

<b>Nonoperating Revenues (Expenses)</b>		
<b>For the Fiscal Years</b>		
<b>(In Thousands)</b>		
	<b>2018-19</b>	<b>2017-18</b>
State Noncapital Appropriations	\$ 7,297	\$ 7,151
Federal and State Student Financial Aid	1,251	1,450
Gifts and Grants	1,807	872
Investment Income	46	35
Interest on Capital Asset-Related Debt	(1)	(1)
<b>Net Nonoperating Revenues</b>	<b>\$ 10,400</b>	<b>\$ 9,507</b>

Net nonoperating revenues increased by \$0.9 million, or 9.4 percent, primarily as a result of a \$1.1 million increase in gifts and grants revenue mainly from the settlement of the College's intergovernmental dispute with Monroe County District School Board offset by a decrease of \$0.2 million in Federal and State student financial aid.

### **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 2018-19 and 2017-18 fiscal years:

<b>Other Revenues</b>		
<b>For the Fiscal Years</b>		
<b>(In Thousands)</b>		
	<b>2018-19</b>	<b>2017-18</b>
State Capital Appropriations	\$ 5,230	\$ 2,753
Capital Grants, Contracts, Gifts, and Fees	6,691	278
<b>Total</b>	<b>\$ 11,921</b>	<b>\$ 3,031</b>

Total other revenues increased by \$8.9 million, or 293.3 percent, primarily due to a \$5.4 million transfer of capital assets from the Campus Foundation, a \$2.4 million increase in PECO appropriations mainly for increased appropriations related to the construction of a \$5 million new dual-purpose Charter High School and Emergency Operations Center building.

### **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 2018-19 and 2017-18 fiscal years:

**Condensed Statement of Cash Flows  
For the Fiscal Years  
(In Thousands)**

	<b>2018-19</b>	<b>2017-18</b>
Cash Provided (Used) by:		
Operating Activities	\$ (9,390)	\$(10,411)
Noncapital Financing Activities	10,354	9,256
Capital and Related Financing Activities	(4,087)	3,788
Investing Activities	46	35
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(3,077)	2,668
Cash and Cash Equivalents, Beginning of Year	6,710	4,042
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 3,633</b>	<b>\$ 6,710</b>

Major sources of funds came from State noncapital appropriations (\$7.3 million), net student tuition and fees (\$2.1 million), noncapital gifts and grants (\$1.8 million), Federal Direct Student Loan program receipts (\$1.3 million), and Federal and State student financial aid (\$1.3 million). Major uses of funds were for payments to employees and for employee benefits (\$8.9 million), purchases of capital assets (\$4.4 million), payments to suppliers of goods and services (\$2.6 million), and disbursements to students for the Federal Direct Student Loans Program (\$1.3 million).

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

- Net cash used for operating activities decreased by \$1 million, or 9.8 percent, primarily due to a \$1.1 million decrease in payments to suppliers for services offset primarily by a \$0.2 million increase in payments for employee benefits.
- Net cash provided by noncapital financing activities increased by \$1.1 million, or 11.9 percent, primarily due to a \$0.9 million increase in cash received for gifts and grants and a \$0.1 million increase in cash received for state noncapital appropriations.

- Net cash used for capital and related financing activities increased by \$7.9 million, or 208 percent, primarily due to an increase in payments for the purchase of capital assets of \$3.9 million.

<b>CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION</b>
--

### **Capital Assets**

At June 30, 2019, the College had \$57.1 million in capital assets, less accumulated depreciation of \$26.6 million, for net capital assets of \$30.5 million. Depreciation charges for the current fiscal year totaled \$1.2 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

<b>Capital Assets, Net at June 30</b>		
<b>(In Thousands)</b>		
	<b>2019</b>	<b>2018</b>
Land	\$ 3,792	\$ 322
Construction in Progress	70	1,402
Buildings	23,836	19,075
Other Structures and Improvements	672	139
Furniture, Machinery, and Equipment	2,145	911
Assets Under Capital Lease	7	25
<b>Capital Assets, Net</b>	<b>\$ 30,522</b>	<b>\$ 21,874</b>

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, 2019, were incurred for renovations to Building B first floor and installation of new generators on the Key West campus. The College's construction commitments at June 30, 2019, are as follows:

	<b>Amount (In Thousands)</b>
Total Committed	\$ 2,645
Completed to Date	(70)
<b>Balance Committed</b>	<b>\$ 2,575</b>

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

### **Debt Administration**

As of June 30, 2019, the College had \$7.3 thousand in outstanding capital lease payable, representing a decrease of \$17.8 thousand, or 71 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 2019-20 fiscal year. The Board of Trustees has forgone the option to increase tuition rates for 2019-20 fiscal year.

## 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 of Financial and Administrative Services, The College of the Florida Keys, 5901 College Road, Key West, Florida 33040.

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# BASIC FINANCIAL STATEMENTS

**THE COLLEGE OF THE FLORIDA KEYS**  
**A Component Unit of the State of Florida**  
**Statement of Net Position**

June 30, 2019

	<b>College</b>	<b>Component Units</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,413,055	\$ 118,204
Restricted Cash and Cash Equivalents	523,069	-
Investments	-	5,813,220
Accounts Receivable, Net	464,310	20,030
Due from Other Governmental Agencies	7,016,687	-
Inventories	1,000	-
Prepaid Expenses	377,808	40,000
<b>Total Current Assets</b>	<b>9,795,929</b>	<b>5,991,454</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,696,576	-
Depreciable Capital Assets, Net	26,660,447	10,875
Nondepreciable Capital Assets	3,861,882	43,774
Other Noncurrent Assets	-	23,350
<b>Total Noncurrent Assets</b>	<b>32,218,905</b>	<b>77,999</b>
<b>TOTAL ASSETS</b>	<b>42,014,834</b>	<b>6,069,453</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	15,833	-
Pensions	2,782,678	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,798,511</b>	<b>-</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	353,265	46,540
Salary and Payroll Taxes Payable	543,434	-
Unearned Revenue	8,887	-
Deposits Held for Others	169,025	-
Long-Term Liabilities - Current Portion:		
Capital Lease Payable	7,330	-
Other Postemployment Benefits Payable	15,833	-
Net Pension Liability	45,714	-
<b>Total Current Liabilities</b>	<b>1,143,488</b>	<b>46,540</b>

	<u>College</u>	<u>Component Units</u>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Compensated Absences Payable	562,027	-
Other Postemployment Benefits Payable	140,849	-
Net Pension Liability	6,010,893	-
<b>Total Noncurrent Liabilities</b>	<u>6,713,769</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>7,857,257</u>	<u>46,540</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	11,831	-
Pensions	580,979	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>592,810</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	30,514,999	-
Restricted:		
Nonexpendable:		
Endowment	-	3,905,662
Expendable:		
Grants and Loans	245,400	-
Scholarships	71,384	-
Capital Projects	8,361,887	-
Unrestricted	<u>(2,830,392)</u>	<u>2,117,251</u>
<b>TOTAL NET POSITION</b>	<u>\$ 36,363,278</u>	<u>\$ 6,022,913</u>

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

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**THE COLLEGE OF THE FLORIDA KEYS**  
**A Component Unit of the State of Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2019**

	<b>College</b>	<b>Component Units</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$957,992	\$ 2,230,717	\$ -
Federal Grants and Contracts	586,748	-
State and Local Grants and Contracts	28,646	-
Nongovernmental Grants and Contracts	130,688	-
Auxiliary Enterprises	103,421	-
Other Operating Revenues	224,169	1,661,806
<b>Total Operating Revenues</b>	<b>3,304,389</b>	<b>1,661,806</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	9,348,570	-
Scholarships and Waivers	409,153	156,321
Utilities and Communications	625,182	-
Contractual Services	1,226,962	-
Other Services and Expenses	957,772	691,242
Materials and Supplies	611,039	-
Depreciation	1,163,213	279,168
<b>Total Operating Expenses</b>	<b>14,341,891</b>	<b>1,126,731</b>
<b>Operating Income (Loss)</b>	<b>(11,037,502)</b>	<b>535,075</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	7,296,815	-
Federal and State Student Financial Aid	1,250,466	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	1,807,250	-
Investment Income	45,524	118,935
Interest on Capital Asset-Related Debt	(458)	(883,821)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>10,399,597</b>	<b>(764,886)</b>
<b>Loss Before Other Revenues</b>	<b>(637,905)</b>	<b>(229,811)</b>
State Capital Appropriations	5,230,175	-
Capital Grants, Contracts, Gifts, and Fees	6,691,091	2,205,891
<b>Total Other Revenues</b>	<b>11,921,266</b>	<b>2,205,891</b>
<b>Increase in Net Position</b>	<b>11,283,361</b>	<b>1,976,080</b>
Net Position, Beginning of Year	<b>25,079,917</b>	<b>4,046,833</b>
<b>Net Position, End of Year</b>	<b>\$ 36,363,278</b>	<b>\$ 6,022,913</b>

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

**THE COLLEGE OF THE FLORIDA KEYS**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2019**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 2,104,406
Grants and Contracts	725,905
Payments to Suppliers	(2,628,061)
Payments for Utilities and Communications	(618,400)
Payments to Employees	(6,878,988)
Payments for Employee Benefits	(2,056,856)
Payments for Scholarships	(409,153)
Auxiliary Enterprises	98,791
Other Receipts	272,229
	<b>(9,390,127)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	7,296,815
Federal and State Student Financial Aid	1,250,541
Federal Direct Loan Program Receipts	1,329,755
Federal Direct Loan Program Disbursements	(1,329,755)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	1,807,250
	<b>10,354,606</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	110,309
Capital Grants and Gifts	179,339
Purchases of Capital Assets	(4,358,670)
Principal Paid on Capital Leases	(17,755)
Interest Paid on Capital Leases	(458)
	<b>(4,087,235)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	45,524
	<b>45,524</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(3,077,232)</b>
Cash and Cash Equivalents, Beginning of Year	6,709,932
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 3,632,700</b>

	<u>College</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$(11,037,502)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,163,213
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(42,917)
Due from Other Governmental Agencies	(101,342)
Inventories	450
Prepaid Expenses	86,679
Deposits Receivable	25,000
Accounts Payable	82,658
Unearned Revenue	(1,628)
Salary and Payroll Taxes Payable	(56,823)
Deposits Held for Others	23,060
Compensated Absences Payable	46,708
Other Postemployment Benefits Payable	(12,193)
Net Pension Liability	128,459
Deferred Outflows of Resources Related to Other Postemployment Benefits	9,662
Deferred Inflows of Resources Related to Other Postemployment Benefits	3,706
Deferred Outflows of Resources Related to Pensions	63,170
Deferred Inflows of Resources Related to Pensions	229,513
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (9,390,127)</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITIES</b>	
Capital asset transferred from the Campus Foundation was recognized as an increase to capital grants, contracts, gifts, and fees reported on the statement of revenues, expenses, and changes in net position, but is not a cash transaction for the statement of cash flows.	\$ 5,453,141
Donations of land were recognized as capital grants, contracts, gifts, and fees on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 970,000

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

# **NOTES TO FINANCIAL STATEMENTS**

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## **1. Summary of Significant Accounting Policies**

**Reporting Entity.** The governing body of The College of the Florida Keys,<sup>2</sup> 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. During the 7-month period ended April 30, 2019, the Campus Foundation transferred all assets, liabilities, and operations to the College. The Campus Foundation ceased operations on April 30, 2019, and recognized a gain on the transfer of assets and liabilities to the College in an amount equal to the Campus Foundation's net position deficit on the date of the transfer.

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 component units 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

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<sup>2</sup> The College's Board of Trustees approved the name change from Florida Keys Community College to The College of the Florida Keys effective July 1, 2019, pursuant to Section 1001.60(2)(b), Florida Statutes.

component units receive, hold, invest, and administers 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 The College of the Florida Keys, 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 fiscal year ended March 31, 2019 and the Campus Foundation's audited financial statements for the fiscal year ended September 30, 2018 and the 7-month period ended April 30, 2019. 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 pools to be cash equivalents.

College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

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, 2019, the College reported as cash equivalents \$101,461 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 28 days as of June 30, 2019. 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, 2019, 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 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. 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.

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (2,872,360)
Auxiliary Funds	41,968
<b>Total</b>	<b>\$ (2,830,392)</b>

## 3. 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, 2019, the College does not hold investment accounts.

**Component Unit Investments.** Investments held by the Educational Foundation at March 31, 2019, are reported at fair value (level 1 inputs) as follows.

<u>Investment Type</u>	<u>Amount</u>
Mutual Funds - Equities	\$ 5,660,972
Mutual Funds - Fixed Income	152,248
<b>Total Component Unit Investments</b>	<b>\$ 5,813,220</b>

#### **4. Accounts Receivable**

Accounts receivable represent amounts for various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a \$45,983 allowance for doubtful accounts.

#### **5. Due From Other Governmental Agencies**

The amount due from other governmental agencies primarily consists of \$5,236,386 of Public Education Capital Outlay allocations due from the State for construction of College facilities, \$1,154,959 settled with the Monroe County District School Board to resolve an intergovernmental dispute, \$116,031 of Federal Direct Student Loan Programs, \$160,284 of Federal Pell Grant program, and \$263,959 for various grants programs.

#### **6. Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2019, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Transfer from the Campus Foundation (1)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:					
Land	\$ 321,796	\$ -	\$ 3,470,000	\$ -	\$ 3,791,796
Construction in Progress	1,401,820	-	70,086	1,401,820	70,086
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 1,723,616</b>	<b>\$ -</b>	<b>\$ 3,540,086</b>	<b>\$ 1,401,820</b>	<b>\$ 3,861,882</b>
Depreciable Capital Assets:					
Buildings	\$ 39,562,270	\$ 5,453,141	\$ -	\$ -	\$ 45,015,411
Other Structures and Improvements	2,837,675	-	669,354	-	3,507,029
Furniture, Machinery, and Equipment	3,292,624	-	1,569,418	204,787	4,657,255
Assets Under Capital Leases	66,585	-	-	-	66,585
<b>Total Depreciable Capital Assets</b>	<b>45,759,154</b>	<b>5,453,141</b>	<b>2,238,772</b>	<b>204,787</b>	<b>53,246,280</b>
Less, Accumulated Depreciation:					
Buildings	20,487,793	-	691,923	-	21,179,716
Other Structures and Improvements	2,698,275	-	136,636	-	2,834,911
Furniture, Machinery, and Equipment	2,381,471	-	316,899	186,419	2,511,951
Assets Under Capital Leases	41,500	-	17,755	-	59,255
<b>Total Accumulated Depreciation</b>	<b>25,609,039</b>	<b>-</b>	<b>1,163,213</b>	<b>186,419</b>	<b>26,585,833</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 20,150,115</b>	<b>\$ 5,453,141</b>	<b>\$ 1,075,559</b>	<b>\$ 18,368</b>	<b>\$ 26,660,447</b>

(1) As discussed in Note 1., the Campus Foundation ceased operation on April 30, 2019, and transferred its capital assets to the College during the 7-month period ended April 30, 2019.

Capital assets activity of the Campus Foundation for the 19-month period ended April 30, 2019, and the Educational Foundation for fiscal year ended March 31, 2019, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfer to College (1)</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:					
Land	\$ 43,774	\$ -	\$ -	\$ -	\$ 43,774
Depreciable Capital Assets:					
Buildings	\$ 6,683,150	\$ -	\$ -	\$ 6,683,150	\$ -
Furniture, Machinery and Equipment	238,325	-	-	211,130	27,195
<b>Total Depreciable Capital Assets</b>	<b>6,921,475</b>	<b>-</b>	<b>-</b>	<b>6,894,280</b>	<b>27,195</b>
Less, Accumulated Depreciation:					
Buildings	978,698	251,313	-	1,230,011	-
Furniture, Machinery and Equipment	199,593	27,855	-	211,128	16,320
<b>Total Accumulated Depreciation</b>	<b>1,178,291</b>	<b>279,168</b>	<b>-</b>	<b>1,441,139</b>	<b>16,320</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 5,743,184</b>	<b>\$ (279,168)</b>	<b>\$ -</b>	<b>\$ 5,453,141</b>	<b>\$ 10,875</b>

(1) As discussed in Note 1., the Campus Foundation ceased operation on April 30, 2019, and transferred its capital assets to the College during the 7-month period ended April 30, 2019.

## 7. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2019, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital Leases Payable	\$ 25,085	\$ -	\$ 17,755	\$ 7,330	\$ 7,330
Compensated Absences Payable	515,319	91,220	44,512	562,027	-
Other Postemployment Benefits Payable	168,875	18,385	30,578	156,682	15,833
Net Pension Liability	5,928,148	3,555,286	3,426,827	6,056,607	45,714
<b>Total Long-Term Liabilities</b>	<b>\$ 6,637,427</b>	<b>\$ 3,664,891</b>	<b>\$ 3,519,672</b>	<b>\$ 6,782,646</b>	<b>\$ 68,877</b>

**Bonds 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 outstanding bonds balance was paid in full on April 4, 2019, as a result of an agreement between the College, the Campus Foundation, and the majority bondholder. Pursuant to the agreement, the Campus Foundation’s assets, liabilities, and operations were transferred to the College and the College then granted the majority bondholder the right to lease and operate the land and the student residency hall for a 40-year period.

The following is a summary of debt transactions for the 19-month period ended April 30, 2019:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable	\$ 8,305,000	\$ -	\$ (8,305,000)	\$ -	\$ -
Less: Unamortized Bond Discount	(128,804)	-	128,804	-	-
<b>Total Bonds Payable</b>	<b>\$ 8,176,196</b>	<b>\$ -</b>	<b>\$ (8,176,196)</b>	<b>\$ -</b>	<b>\$ -</b>

**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 .0876 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, 2019, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 7,380
Less, Amount Representing Interest	50
<b>Present Value of Minimum Payments</b>	<b>\$ 7,330</b>

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State 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, 2019, the

estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$562,027. The College does not anticipate a current portion of the compensated absences liability to be paid in the coming fiscal year as of June 30, 2019.

**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, 2018, 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
<b>Total</b>	<u>102</u>

**Total OPEB Liability**

The College's total OPEB liability of \$156,682 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017.

*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	3.87 percent current measurement date
Healthcare cost trend rates	7.50 percent for 2017, decreasing to an ultimate rate of 5.00 percent by 2023
Benefit-related costs	5.50 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2020

The discount rate used to measure the Total OPEB Liability as of the current measurement date was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the RP-2014 mortality tables, 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 January 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***

	<b>Amount</b>
<b>Balance at 6/30/18</b>	<u>\$ 168,875</u>
<b>Changes for the year:</b>	
Service Cost	12,823
Interest	5,562
Changes in Assumptions or Other Inputs	(5,083)
Benefit Payments	<u>(25,495)</u>
<b>Net Changes</b>	<u>(12,193)</u>
<b>Balance at 6/30/19</b>	<u><u>\$ 156,682</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.56 percent in 2017 to 3.87 percent in 2018.

*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 (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	<b>1% Decrease (2.87%)</b>	<b>Current Discount Rate (3.87%)</b>	<b>1% Increase (4.87%)</b>
Total OPEB liability	\$174,107	\$156,682	\$141,974

*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:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$134,105	\$156,682	\$185,660

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

For the fiscal year ended June 30, 2019, the College recognized OPEB expense of \$17,008. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions or other inputs	\$ -	\$ 11,831
Transactions subsequent to the measurement date	15,833	-
<b>Total</b>	<u>\$ 15,833</u>	<u>\$ 11,831</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$15,833 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, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2019	\$ (1,377)
2020	(1,377)
2021	(1,377)
2022	(1,377)
2023	(1,377)
Thereafter	(4,946)
<b>Total</b>	<u>\$ (11,831)</u>

**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, 2019, the College's proportionate share of the net pension liabilities totaled \$6,056,607. Note 8. includes a complete discussion of defined benefit pension plans.

## 8. 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](http://www.dms.myflorida.com)).

The College's FRS and HIS pension expense totaled \$998,325 for the fiscal year ended June 30, 2019.

### **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:

<b><u>Class, Initial Enrollment, and Retirement Age/Years of Service</u></b>	<b><u>% Value</u></b>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
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
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
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
<b>Senior Management Service Class</b>	<b>2.00</b>

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 2018-19 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.26
FRS, Senior Management Service	3.00	24.06
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.03
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 \$433,614 for the fiscal year ended June 30, 2019.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2019, the College reported a liability of \$4,188,961 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The College's proportionate share of the net pension liability was based on the College's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the College's proportionate share was 0.013907334 percent, which was an increase of 0.000134896 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the College recognized pension expense of \$855,148. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 354,868	\$ 12,880
Change of assumptions	1,368,749	-
Net difference between projected and actual earnings on FRS Plan investments	-	323,648
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	175,269	-
College FRS contributions subsequent to the measurement date	433,614	-
<b>Total</b>	<b>\$ 2,332,500</b>	<b>\$ 336,528</b>

The deferred outflows of resources totaling \$433,614, 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 630,189
2021	417,039
2022	68,241
2023	252,744
2024	168,386
Thereafter	25,759
<b>Total</b>	<b>\$ 1,562,358</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2018, 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	7.00 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, 2018, 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:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (Property)	11%	6.6%	6.0%	11.3%
Private Equity	10%	10.7%	7.8%	26.5%
Strategic Investments	6%	6.0%	5.7%	8.6%
<b>Total</b>	<b>100%</b>			
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 7.00 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 2018 valuation was updated from 7.10 percent to 7.00 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 7.00 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 (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
College's proportionate share of the net pension liability	\$7,645,030	\$4,188,961	\$1,318,492

*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, 2019, 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, 2019, 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 \$100,998 for the fiscal year ended June 30, 2019.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2019, the College reported a net pension liability of \$1,867,646 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The College's proportionate share of the net pension liability was based on the College's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the College's proportionate share was 0.017645751 percent, which was an increase of 0.000303131 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the College recognized pension expense of \$143,177. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 28,593	\$ 3,173
Change of assumptions	207,705	197,463
Net difference between projected and actual earnings on HIS Plan investments	1,127	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	111,755	43,815
College contributions subsequent to the measurement date	100,998	-
<b>Total</b>	<b>\$ 450,178</b>	<b>\$ 244,451</b>

The deferred outflows of resources totaling \$100,998, 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 29,905
2021	29,810
2022	38,078
2023	27,971
2024	(15,114)
Thereafter	(5,921)
<b>Total</b>	<b>\$ 104,729</b>

*Actuarial Assumptions.* The total pension liability at July 1, 2018, 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	3.87 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 3.87 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 2018 valuation was updated from 3.58 percent to 3.87 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 3.87 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 (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
College’s proportionate share of the net pension liability	\$2,127,139	\$1,867,646	\$1,651,343

*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.

## 9. 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 2018-19 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
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, 2019, 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 \$250,630 for the fiscal year ended June 30, 2019.

## **10. Construction Commitments**

The College's major construction commitments at June 30, 2019, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Building B Renovations	\$ 691,393	\$ (25,752)	\$ 665,641
Fence	180,000	-	180,000
Generators	1,773,294	(44,334)	1,728,960
<b>Total</b>	<b>\$ 2,644,687</b>	<b>\$ (70,086)</b>	<b>\$ 2,574,601</b>

## 11. 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 \$100 million 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.

## 12. 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:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 5,298,085
Institutional Support	2,936,970
Operation and Maintenance of Plant	1,675,076
Academic Support	1,553,636
Depreciation	1,163,213
Student Services	1,152,103
Scholarships and Waivers	456,508
Auxiliary Enterprises	106,300
<b>Total Operating Expenses</b>	<b>\$ 14,341,891</b>

### 13. 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

	<u>Direct-Support Organizations</u>		<u>Total</u>
	<u>Florida Keys College Campus Foundation, Inc.</u>	<u>Florida Keys Educational Foundation, Inc.</u>	
	(1)	(2)	
<b>Assets:</b>			
Current Assets	\$ -	\$ 5,991,454	\$ 5,991,454
Capital Assets, Net	-	54,649	54,649
Other Noncurrent Assets	-	23,350	23,350
<b>Total Assets</b>	<b>-</b>	<b>6,069,453</b>	<b>6,069,453</b>
<b>Liabilities:</b>			
Current Liabilities	-	46,540	46,540
<b>Net Position:</b>			
Restricted Nonexpendable	-	3,905,662	3,905,662
Unrestricted	-	2,117,251	2,117,251
<b>Total Net Position</b>	<b>\$ -</b>	<b>\$ 6,022,913</b>	<b>\$ 6,022,913</b>

(1) As discussed in Note 1., the Campus Foundation ceased operation on April 30, 2019, and transferred its assets, liabilities, and operations to the College during the 7-month period ended April 30, 2019. Amounts are as of April 30, 2019.

(2) Amounts are as of March 31, 2019.

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

	Direct-Support Organizations		Total
	Florida Keys College Campus Foundation, Inc.	Florida Keys Educational Foundation, Inc.	
	(1)	(2)	
Operating Revenues	\$ 1,257,869	\$ 403,937	\$ 1,661,806
Depreciation Expense	(276,448)	(2,720)	(279,168)
Operating Expenses	(417,393)	(430,170)	(847,563)
<b>Operating Income (Loss)</b>	564,028	(28,953)	535,075
Net Nonoperating Revenues (Expenses):			
Nonoperating Revenues	13,899	105,036	118,935
Interest Expense	(883,821)	-	(883,821)
<b>Net Nonoperating Revenues (Expenses)</b>	(869,922)	105,036	(764,886)
Other Revenues	2,205,891	-	2,205,891
<b>Increase in Net Position</b>	1,899,997	76,083	1,976,080
Net Position, Beginning of Year	(1,899,997)	5,946,830	4,046,833
<b>Net Position, End of Year</b>	\$ -	\$ 6,022,913	\$ 6,022,913

(1) As discussed in Note 1., the Campus Foundation ceased operation on April 30, 2019, and transferred its assets, liabilities, and operations to the College during the 7-month period ended April 30, 2019. Amounts are for the 19-month period ended April 30, 2019.

(2) Amounts are for the fiscal year ended March 31, 2019.

## **OTHER REQUIRED SUPPLEMENTARY INFORMATION**

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

	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 12,823	\$ 13,677
Interest	5,562	5,151
Changes of assumptions or other inputs	(5,083)	(9,005)
Benefit Payments	<u>(25,495)</u>	<u>(23,944)</u>
<b>Net change in total OPEB liability</b>	(12,193)	(14,121)
Total OPEB Liability - beginning	<u>168,875</u>	<u>182,996</u>
<b>Total OPEB Liability - ending</b>	<u>\$ 156,682</u>	<u>\$ 168,875</u>
Covered-Employee Payroll	\$ 5,279,849	\$ 5,279,849
<b>Total OPEB Liability as a percentage of covered-employee payroll</b>	2.97%	3.20%

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

	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
College's proportion of the FRS net pension liability	0.013907334%	0.013772438%	0.013635125%	0.013471189%
College's proportionate share of the FRS net pension liability	\$ 4,188,961	\$ 4,073,795	\$ 3,442,880	\$ 1,739,985
College's covered payroll (2)	\$ 5,794,859	\$ 5,556,683	\$ 5,308,969	\$ 4,807,070
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	72.29%	73.31%	64.85%	36.20%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	84.26%	83.89%	84.88%	92.00%

(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**

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
Contractually required FRS contribution	\$ 433,614	\$ 396,348	\$ 358,530	\$ 330,000
FRS contributions in relation to the contractually required contribution	<u>(433,614)</u>	<u>(396,348)</u>	<u>(358,530)</u>	<u>(330,000)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 6,101,071	\$ 5,794,859	\$ 5,556,683	\$ 5,308,969
FRS contributions as a percentage of covered payroll	7.11%	6.84%	6.45%	6.22%

(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.

<u>2014 (1)</u>	<u>2013 (1)</u>
0.012608178%	0.010386350%
\$ 769,284	\$ 1,787,952
\$ 4,703,422	\$ 5,559,097
16.36%	32.16%
96.09%	88.54%

<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 328,439	\$ 276,173
<u>(328,439)</u>	<u>(276,173)</u>
\$ -	\$ -
\$ 4,807,070	\$ 4,703,422
6.83%	5.87%

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

	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
College's proportion of the HIS net pension liability	0.017645751%	0.017342620%	0.017187491%	0.015844871%
College's proportionate share of the HIS net pension liability	\$ 1,867,646	\$ 1,854,353	\$ 2,003,131	\$ 1,615,928
College's covered payroll (2)	\$ 5,794,859	\$ 5,556,683	\$ 5,308,969	\$ 4,807,070
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	32.23%	33.37%	37.73%	33.62%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.15%	1.64%	0.97%	0.50%

(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**

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
Contractually required HIS contribution	\$ 100,998	\$ 95,693	\$ 91,782	\$ 61,000
HIS contributions in relation to the contractually required HIS contribution	<u>(100,998)</u>	<u>(95,693)</u>	<u>(91,782)</u>	<u>(61,000)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 6,101,071	\$ 5,794,859	\$ 5,556,683	\$ 5,308,969
HIS contributions as a percentage of covered payroll	1.66%	1.65%	1.65%	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.

<u>2014 (1)</u>	<u>2013 (1)</u>
0.015826542%	0.017473573%
\$ 1,479,820	\$ 1,521,304
\$ 4,703,422	\$ 5,559,097
31.46%	27.37%
0.99%	1.78%

<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 60,569	\$ 54,216
<u>(60,569)</u>	<u>(54,216)</u>
\$ -	\$ -
\$ 4,807,070	\$ 4,703,422
1.26%	1.15%

**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 3.56 percent at the prior measurement date to 3.87 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 7.10 percent to 7.00 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 3.58 percent to 3.87 percent.



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 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 College of the Florida Keys, 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, 2019, 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 27, 2020, 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,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial "S" and "N".

Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 27, 2020