STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2021-174
March 2021

THE COLLEGE OF THE FLORIDA KEYS

For the Fiscal Year Ended
June 30, 2020

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2019-20 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:

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 Kristina L. Tinkler, CPA, and the audit was supervised by Hector J. Quevedo, CPA.

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

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THE COLLEGE OF THE FLORIDA KEYS

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SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements of The College of the Florida Keys (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; however, we noted a certain additional matter as summarized below.

Additional Matter

Finding No. 2020-001: In May 2020, the College applied for and received a $1.7 million loan from the Paycheck Protection Program funded by the Federal CARES Act. However, College records provided for our examination did not demonstrate that the College was eligible to receive the loan.

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, 2020. 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.

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

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 discretely presented component unit as of and for the fiscal year ended June 30, 2020, 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 discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 report 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 discretely presented component unit as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, 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 24, 2021, 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

Sherrill F. Norman, CPA
Tallahassee, Florida
March 24, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2020, 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, 2020, and June 30, 2019, and its component units: the Florida Keys Educational Foundation, Inc. for the fiscal years ended March 31, 2020, and March 31, 2019; and the Florida Keys College Campus Foundation, Inc., formerly a discretely presented component unit of the College, for the 19-month period ended April 30, 2019.

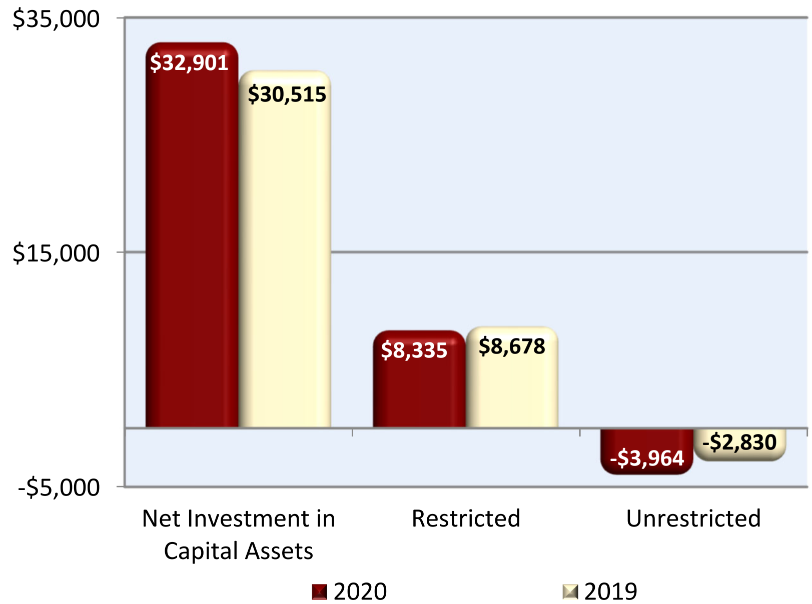
FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled $48 million at June 30, 2020. This balance reflects a $3.2 million, or 7.1 percent, increase as compared to the 2018-19 fiscal year, resulting from increases in non-depreciable capital assets of $3.1 million, in current cash and cash equivalents of $1.5 million, and noncurrent restricted cash and cash equivalents of $1.9 million. These increases were offset in part by decreases in due from other governmental agencies of $1.9 million, depreciable capital assets of $0.7 million, current restricted cash and cash equivalents of $0.3 million and accounts receivable of $0.2 million. While assets and deferred outflows of resources increased, liabilities and deferred inflows of resources also increased by $2.3 million, or 26.7 percent, totaling $10.7 million at June 30, 2020, resulting mainly from increases of $1.7 million in loans payable, and $0.8 million in net pension liability, offset in part by a decrease of $0.2 million in accounts payable. As a result, the College's net position increased by $0.9 million, or 2.5 percent, resulting in a year-end balance of $37.3 million.

The College's operating revenues totaled $2.5 million for the 2019-20 fiscal year, representing a $0.8 million, or 25.7 percent decrease compared to the 2018-19 fiscal year due to decreases of $0.4 million in Federal grants and contracts, $0.3 million in student tuition and fees, and $0.1 million in other operating revenues. Operating expenses totaled $14.9 million for the 2019-20 fiscal year, representing an increase of $0.6 million, or 3.9 percent as compared to the 2018-19 fiscal year due mainly to increases of $0.4 million in personnel services, $0.2 million in depreciation and $0.1 million in scholarships and waivers, offset by a decrease of $0.1 million in materials and supplies.

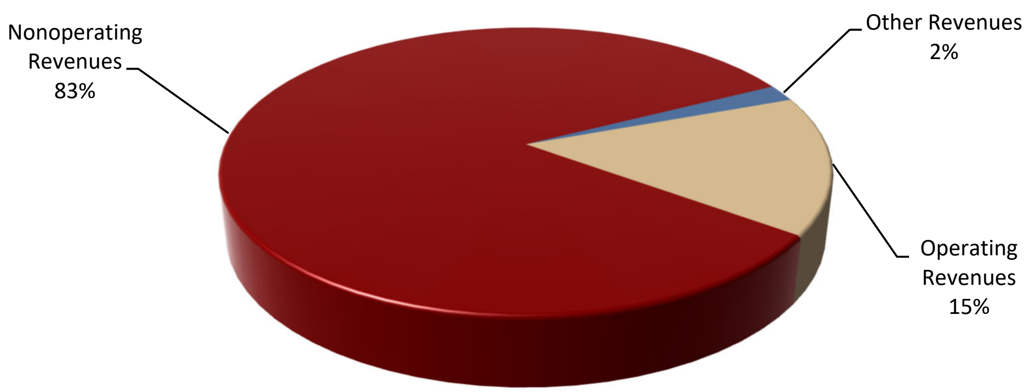
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2020, and June 30, 2019, is shown in the following graph:

Net Position
(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2019-20 fiscal year:

Total Revenues 2019-20 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, encompass the College and its component unit, Florida Keys Educational Foundation, Inc. (Foundation). Based on the application of the criteria for determining component units, the Foundation is included within the College reporting entity as a discretely presented component unit.

Information regarding the component unit is presented in the MD&A and notes to financial statements. In addition, for the component units' 2019 fiscal year, the MD&A presents information on Florida Keys College Campus Foundation, Inc. (Campus Foundation), formerly a discretely presented component unit of the College. The Campus Foundation ceased operations on April 30, 2019, and transferred all assets, liabilities, and operations to the College during the 2018-19 fiscal year.

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** (1)	
	06-30-20	**06-30-19**	**2020**	**2019**
Assets				
Current Assets	$ 8,886	$ 9,796	$ 4,274	$ 5,992
Capital Assets, Net	32,901	30,522	52	55
Other Noncurrent Assets	3,601	1,697	296	23
Total Assets	45,388	42,015	4,622	6,070
Deferred Outflows of Resources	2,592	2,798	-	-
Liabilities				
Current Liabilities	1,602	1,143	38	47
Noncurrent Liabilities	8,625	6,714	-	-
Total Liabilities	10,227	7,857	38	47
Deferred Inflows of Resources	481	593	-	-
Net Position				
Net Investment in Capital Assets	32,901	30,515	-	-
Restricted	8,335	8,678	3,709	3,906
Unrestricted	(3,964)	(2,830)	875	2,117
Total Net Position	$ 37,272	$ 36,363	$ 4,584	$ 6,023

(1) For the 2020 year, the amounts reported are for the fiscal year ended March 31, 2020, for the Florida Keys Educational Foundation, Inc. For the 2019 year, the amounts reported are for the fiscal years ended March 31, 2019, for the Florida Keys Educational Foundation, Inc.,and for the 19-month period ended April 30, 2019, for the Florida Keys College Campus Foundation, Inc.

Significant events include the following:

- Current assets decreased by $0.9 million, or 9.3 percent, primarily due a decrease of $1.9 million in due from other governmental agencies as a result of the receipt of $1.1 million from the Monroe County District School Board and $0.8 million Public Education Capital Outlay (PECO) funds for the construction of a new dual-purpose Charter High School and Emergency Operations Center building, and a decrease of $0.2 million in accounts receivable. These decreases were offset by a combined $1.2 million increase in current restricted and unrestricted cash and cash equivalents.
- Other noncurrent and capital assets, net increased a combined $4.3 million, or 13.3 percent, mainly due to an increase of $3 million in construction in progress for the Upper Keys Center, installation of new generators on the main campus, and construction of the Charter High School and Emergency Operations Center building. Noncurrent restricted cash and cash equivalents also increased by $1.9 million and were offset by decrease of $0.7 million in depreciable capital assets.
- Total liabilities increased by $2.4 million, or 30.2 percent, primarily due to receipt of a $1.7 million Paycheck Protection Program loan and an increase in net pension liabilities of $0.8 million. These increases were offset by a decrease of $0.2 million in accounts payable.
- Net position increased by $0.9 million, or 2.5 percent, mainly due to a $2.4 million increase in net investments in capital assets offset by a $1.1 million increase in unrestricted deficit in net position and a decrease of $0.4 million in restricted net position.

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)	
	2019-20	**2018-19**	**2020**	**2019**
Operating Revenues	$ 2,456	$ 3,304	$ 804	$ 1,662
Less, Operating Expenses	14,899	14,342	1,568	1,127
Operating Income (Loss)	(12,443)	(11,038)	(764)	535
Net Nonoperating Revenues (Expenses)	13,050	10,400	(675)	(765)
Income (Loss) Before Other Revenues	607	(638)	(1,439)	(230)
Other Revenues	302	11,921	-	2,206
Net Increase (Decrease) In Net Position	909	11,283	(1,439)	1,976
Net Position, Beginning of Year	36,363	25,080	6,023	4,047
Net Position, End of Year	$ 37,272	$ 36,363	$ 4,584	$ 6,023

(1) For the 2020 year, the amounts reported are for the fiscal year ended March 31, 2020, for the Florida Keys Educational Foundation, Inc. For the 2019 year, the amounts reported are for the fiscal years ended March 31, 2019, for the Florida Keys Educational Foundation, Inc., and for the 19-month period ended April 30, 2019, for the Florida Keys College Campus Foundation, Inc.

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)

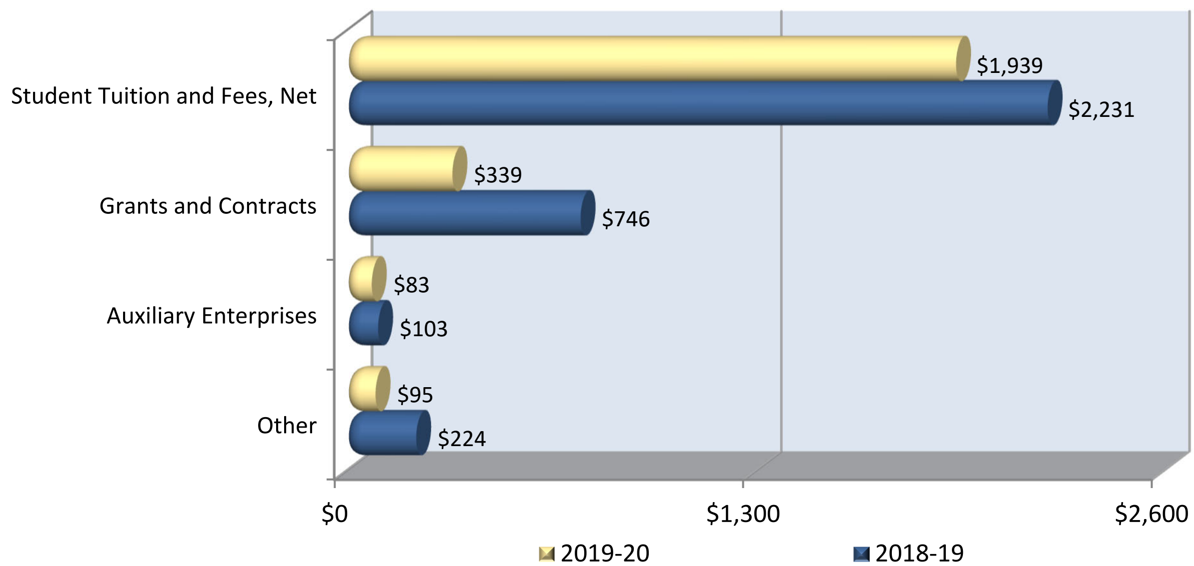
	College		**Component Units** (1)	
	2019-20	**2018-19**	**2020**	**2019**
Student Tuition and Fees, Net	$ 1,939	$ 2,231	$ -	$ -
Grants and Contracts	339	746	-	-
Auxiliary Enterprises	83	103	-	-
Other	95	224	804	1,662
Total Operating Revenues	$ 2,456	$ 3,304	$ 804	$ 1,662

(1) For the 2020 year, the amounts reported are for the fiscal year ended March 31, 2020, for the Florida Keys Educational Foundation, Inc. For the 2019 year, the amounts reported are for the fiscal years ended March 31, 2019, for the Florida Keys Educational Foundation, Inc., and for the 19-month period ended April 30, 2019, for the Florida Keys College Campus Foundation, Inc.

The following chart presents the College's operating revenues for the 2019-20 and 2018-19 fiscal years:

Operating Revenues

(In Thousands)



College operating revenue decreased due to decreases of $0.4 million in Federal grants and contracts, and $0.3 million in student tuition and fees over the prior fiscal year. The decrease in student tuition and fees is primarily due to a decrease of $0.2 million in lab 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:

Operating Expenses
For the Fiscal Years

(In Thousands)

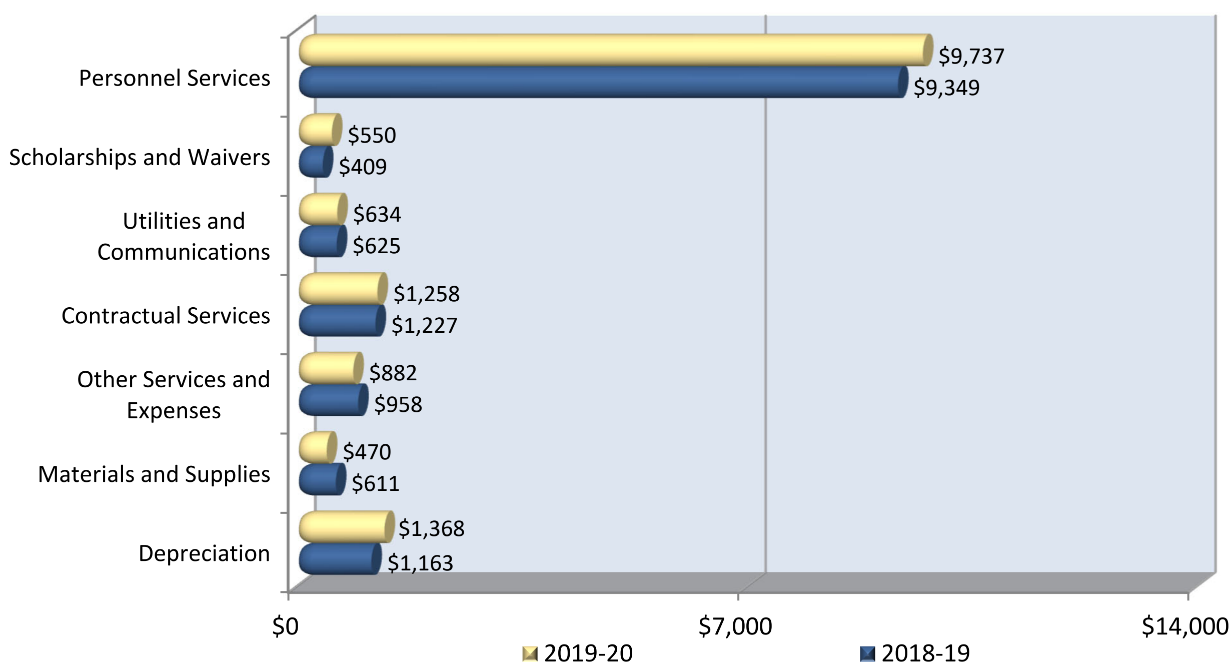
	College		Component Units (1)	
	2019-20	**2018-19**	**2020**	**2019**
Personnel Services	$ 9,737	$ 9,349	$ -	$ -
Scholarships and Waivers	550	409	167	157
Utilities and Communications	634	625	-	-
Contractual Services	1,258	1,227	-	-
Other Services and Expenses	882	958	1,398	691
Materials and Supplies	470	611	-	-
Depreciation	1,368	1,163	3	279
Total Operating Expenses	$ 14,899	$ 14,342	$ 1,568	$ 1,127

(1) For the 2020 year, the amounts reported are for the fiscal year ended March 31, 2020, for the Florida Keys Educational Foundation, Inc. For the 2019 year, the amounts reported are for the fiscal years ended March 31, 2019, for the Florida Keys Educational Foundation, Inc., and for the 19-month period ended April 30, 2019, for the Florida Keys College Campus Foundation, Inc.

The following chart presents the College's operating expenses for the 2019-20 and 2018-19 fiscal years:

Operating Expenses

(In Thousands)



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

- Personnel expenses increased by $0.4 million as a result of an increase of $0.5 million in pension and other postemployment benefits offset in part by a decrease of $0.1 million in personnel cost due to vacancy of positions.

- Scholarships and waivers increased by $0.1 million as a result of an increase in $0.1 million in Pell awards and $0.1 million in Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding, offset by an increase of $0.1 million in scholarships and scholarship allowances.
- Materials and supplies decreased by $0.1 million primarily due to a decrease in technology support services.
- Other services and expenses decreased by $0.1 million primarily due to reductions in grant, bad debt, and travel expenses.

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 2019-20 and 2018-19 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2019-20	2018-19
State Noncapital Appropriations	$ 7,636	$ 7,297
Federal and State Student Financial Aid	1,464	1,251
Gifts and Grants	3,874	1,807
Investment Income	76	46
Interest on Capital Assets-Related Debt	-	(1)
Net Nonoperating Revenues	$ 13,050	$ 10,400

Net nonoperating revenues increased by $2.6 million, or 25.5 percent primarily as a result of gifts and Hurricane Irma emergency assistance grants of $2.1 million from the United States Department of Education and an increase in State appropriations of $0.3 million.

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 2019-20 and 2018-19 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2019-20	2018-19
State Capital Appropriations	$ 35	$ 5,230
Capital Grants, Contracts, Gifts, and Fees	267	6,691
Total	$ 302	$ 11,921

Total other revenues decreased by $11.6 million, or 97.5 percent. These changes were mainly due to the absence of 2019-20 fiscal year Public Education Outlay (PECO) appropriations versus prior year appropriations of $5.2 million, and a prior year reported capital gift of $5.4 million for the transfer of capital assets from the Campus Foundation.

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 2019-20 and 2018-19 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2019-20	2018-19
Cash Provided (Used) by:		
Operating Activities	$ (10,210)	$ (9,390)
Noncapital Financing Activities	14,880	10,354
Capital and Related Financing Activities	(1,587)	(4,087)
Investing Activities	76	46
Net Increase (Decrease) in Cash and Cash Equivalents	3,159	(3,077)
Cash and Cash Equivalents, Beginning of Year	3,633	6,710
Cash and Cash Equivalents, End of Year	$ 6,792	$ 3,633

Major sources of funds came from State noncapital appropriations ($7.6 million), noncapital gifts and grants ($3.9 million), net student tuition and fees ($2 million), State capital appropriations ($2 million), and other nonoperating receipts ($1.7 million). Major uses of funds were for payments to employees and for employee benefits ($8.5 million), purchases of capital assets ($3.7 million), and payment to suppliers of goods and services ($2.6 million).

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

- Net cash used for operating activities increased by $0.8 million, or 8.7 percent, primarily due to decreases in cash received for grants and contracts of $0.7 million and net student tuition and fees of $0.1 million.
- Net cash provided by noncapital financing activities increased by $4.5 million, or 43.7 percent, mainly due to $2.3 million in Hurricane Irma emergency assistance grants received from the United States Department of Education and $1.7 million in Paycheck Protection Program loan proceeds.
- Net cash used by capital and related financing activities decreased by $2.5 million, or 61.2 percent, due to an increase of $1.9 million provided by State capital appropriations and a decrease of $0.6 million in purchase of capital assets.

Capital Assets and Capital Expenses and Commitments

Capital Assets

At June 30, 2020, the College had $60.8 million in capital assets, less accumulated depreciation of $27.9 million, for net capital assets of $32.9 million. Depreciation charges for the current fiscal year totaled $1.4 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2020	**2019**
Land	$ 3,792	$ 3,792
Construction in Progress	3,130	70
Buildings	23,573	23,836
Other Structures and Improvements	535	672
Furniture, Machinery, and Equipment	1,871	2,145
Assets Under Capital Lease	-	7
Capital Assets, Net	$ 32,901	$ 30,522

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, 2020, were incurred for the installation of new generators in building A and the chiller plant, new construction of Upper Keys Center in Key Largo, and new construction of a dual-purpose building for an Emergency Operations Center and a charter school. The College's construction commitments at June 30, 2020, are as follows:

	Amount (In Thousands)
Total Committed	$ 26,944
Completed to Date	(3,130)
Balance Committed	$ 23,814

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

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 2020-21 fiscal year. The Board of Trustees has forgone the option to increase tuition rates for 2020-21 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 for Financial Services, The College of the Florida Keys, 5901 College Road, Key West, Florida 33040.

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

June 30, 2020

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 2,937,655	$ 94,718
Restricted Cash and Cash Equivalents	252,487	-
Investments	-	4,034,061
Accounts Receivable, Net	225,565	14,475
Notes Receivable, Net	-	90,750
Due from Other Governmental Agencies	5,145,086	-
Due from Component Unit	8,958	-
Prepaid Expenses	315,816	40,000
Total Current Assets	8,885,567	4,274,004
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,601,476	-
Depreciable Capital Assets, Net	25,979,447	8,155
Nondepreciable Capital Assets	6,921,777	43,774
Other Noncurrent Assets	-	295,649
Total Noncurrent Assets	36,502,700	347,578
TOTAL ASSETS	45,388,267	4,621,582
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	35,162	-
Pensions	2,556,927	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,592,089	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	166,092	37,927
Salary and Payroll Taxes Payable	628,631	-
Deposits Held for Others	84,555	-
Long-Term Liabilities - Current Portion:		
Loan Payable	669,092	-
Compensated Absences Payable	12,399	-
Other Postemployment Benefits Payable	6,452	-
Net Pension Liability	34,530	-
Total Current Liabilities	1,601,751	37,927

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Loan Payable	1,073,116	-
Compensated Absences Payable	560,933	-
Other Postemployment Benefits Payable	174,725	-
Net Pension Liability	6,816,561	-
Total Noncurrent Liabilities	8,625,335	-
TOTAL LIABILITIES	10,227,086	37,927
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	19,202	-
Pensions	462,158	-
TOTAL DEFERRED INFLOWS OF RESOURCES	481,360	-
NET POSITION		
Net Investment in Capital Assets	32,901,224	-
Restricted:		
Nonexpendable:		
Endowment	-	3,709,333
Expendable:		
Grants and Loans	225,654	-
Scholarships	73,501	-
Capital Projects	8,035,304	-
Unrestricted	(3,963,773)	874,322
TOTAL NET POSITION	$ 37,271,910	$ 4,583,655

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 Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2020

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $1,024,668	$ 1,939,041	$ -
Federal Grants and Contracts	153,769	-
State and Local Grants and Contracts	16,234	-
Nongovernmental Grants and Contracts	169,210	-
Auxiliary Enterprises	82,685	
Other Operating Revenues	94,887	803,979
Total Operating Revenues	2,455,826	803,979
EXPENSES		
Operating Expenses:		
Personnel Services	9,736,722	-
Scholarships and Waivers	549,525	167,882
Utilities and Communications	634,431	-
Contractual Services	1,257,827	-
Other Services and Expenses	882,522	1,397,532
Materials and Supplies	470,050	-
Depreciation	1,368,042	2,720
Total Operating Expenses	14,899,119	1,568,134
Operating Loss	(12,443,293)	(764,155)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	7,635,723	-
Federal and State Student Financial Aid	1,464,248	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	3,874,104	-
Investment Income (Loss)	76,305	(675,103)
Interest on Capital Asset-Related Debt	(50)	-
Net Nonoperating Revenues (Expenses)	13,050,330	(675,103)
Income (Loss) Before Other Revenues	607,037	(1,439,258)
State Capital Appropriations	34,800	-
Capital Grants, Contracts, Gifts, and Fees	266,795	-
Total Other Revenues	301,595	-
Increase (Decrease) in Net Position	908,632	(1,439,258)
Net Position, Beginning of Year	36,363,278	6,022,913
Net Position, End of Year	$ 37,271,910	$ 4,583,655

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 Cash Flows

For the Fiscal Year Ended June 30, 2020

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 2,027,557
Grants and Contracts	32,561
Payments to Suppliers	(2,632,903)
Payments for Utilities and Communications	(658,894)
Payments to Employees	(6,618,518)
Payments for Employee Benefits	(1,900,210)
Payments for Scholarships	(549,525)
Auxiliary Enterprises	79,947
Other Receipts	10,420
Net Cash Used by Operating Activities	(10,209,565)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	7,635,723
Federal and State Student Financial Aid	1,627,553
Federal Direct Loan Program Receipts	1,260,869
Federal Direct Loan Program Disbursements	(1,260,869)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	3,874,104
Other Nonoperating Receipts	1,742,208
Net Cash Provided by Noncapital Financing Activities	14,879,588
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,998,047
Capital Grants and Gifts	168,859
Purchases of Capital Assets	(3,746,936)
Principal Paid on Capital Leases	(7,330)
Interest Paid on Capital Leases	(50)
Net Cash Used by Capital and Related Financing Activities	(1,587,410)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	76,305
Net Cash Provided by Investing Activities	76,305
Net Increase in Cash and Cash Equivalents	3,158,918
Cash and Cash Equivalents, Beginning of Year	3,632,700
Cash and Cash Equivalents, End of Year	$ 6,791,618

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$(12,443,293)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,368,042
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	302,210
Due from Other Governmental Agencies	(297,148)
Due from Component Unit	(8,958)
Inventories	1,000
Prepaid Expenses	61,992
Accounts Payable	(110,504)
Unearned Revenue	(8,887)
Salary and Payroll Taxes Payable	85,197
Deposits Held for Others	(84,471)
Compensated Absences Payable	11,304
Other Postemployment Benefits Payable	24,495
Net Pension Liability	794,484
Deferred Outflows of Resources Related to Other Postemployment Benefits	(19,329)
Deferred Inflows of Resources Related to Other Postemployment Benefits	7,371
Deferred Outflows of Resources Related to Pensions	225,751
Deferred Inflows of Resources Related to Pensions	(118,821)
NET CASH USED BY OPERATING ACTIVITIES	$(10,209,565)

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The governing body of The College of the Florida Keys, 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 Unit. Based on the application of the criteria for determining component units, Florida Keys Educational Foundation, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

The purpose of the 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.

The Foundation is also a direct-support organization, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, is financially accountable to the College. The Foundation is managed independently, outside the College's budgeting process, and its powers generally are vested in a governing board pursuant to various State statutes. The Foundation receives, holds, invests, and administers property, and makes expenditures to or for the benefit of the College.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public 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 Foundation's audited financial statements for the fiscal year ended March 31, 2020.

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 unit uses the economic resources measurement focus and the accrual basis of accounting, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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 pad 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, 2020, the College reported as cash equivalents $103,185 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 53 days as of June 30, 2020. 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, and the Investment 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, 2020, 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
  - Machinery – 20 years
- Asset Under Capital Lease – Life of Lease

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

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

2. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	$ (3,985,399)
Auxiliary Funds	21,626
Total	$ (3,963,773)

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, 2020, the College does not hold investment accounts.

Component Unit Investments. Investments held by the Foundation at March 31, 2020, are reported at fair value (level 1 inputs) as follows.

Investment Type	Amount
Mutual Funds - Equities	$ 3,650,627
Mutual Funds - Fixed Income	383,434
Total Component Unit Investments	$ 4,034,061

4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a $25,463 allowance for doubtful accounts.

5. Due From Other Governmental Agencies

The amount due from other governmental agencies consists of $4,428,030 of Public Education Capital Outlay allocations due from the State for construction of College facilities and $717,056 due from various grant programs.

6. Due From Component Unit

The amount due from component unit consists of amounts owed to the College by the Foundation for scholarships and student aid. The College's financial statements are reported for the fiscal year ended June 30, 2020. The College's component unit financial statements are reported for the fiscal year ended March 31, 2020. Accordingly, amounts reported by the College as due from component unit on the statement of net position do not agree with amounts reported by the component unit as due to the College.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2020, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 3,791,796	$ -	$ -	$ 3,791,796
Construction in Progress	70,086	3,672,433	612,538	3,129,981
Total Nondepreciable Capital Assets	$ 3,861,882	$ 3,672,433	$ 612,538	$ 6,921,777
Depreciable Capital Assets:				
Buildings	$ 45,015,411	$ 612,538	$ -	$ 45,627,949
Other Structures and Improvements	3,507,029	-	-	3,507,029
Furniture, Machinery, and Equipment	4,657,255	74,504	77,661	4,654,098
Assets Under Capital Leases	66,585	-	-	66,585
Total Depreciable Capital Assets	53,246,280	687,042	77,661	53,855,661
Less, Accumulated Depreciation:				
Buildings	21,179,716	875,492	-	22,055,208
Other Structures and Improvements	2,834,911	136,635	-	2,971,546
Furniture, Machinery, and Equipment	2,511,951	348,585	77,661	2,782,875
Assets Under Capital Leases	59,255	7,330	-	66,585
Total Accumulated Depreciation	26,585,833	1,368,042	77,661	27,876,214
Total Depreciable Capital Assets, Net	$ 26,660,447	$ (681,000)	$ -	$ 25,979,447

Capital assets activity of the Florida Keys Educational Foundation, Inc. for the fiscal year ended March 31, 2020, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 43,774	$ -	$ -	$ 43,774
Depreciable Capital Assets:				
Furniture, Machinery, and Equipment	27,195	-	-	27,195
Less, Accumulated Depreciation:				
Furniture, Machinery, and Equipment	16,320	2,720	-	19,040
Total Depreciable Capital Assets, Net	$ 10,875	$ (2,720)	$ -	$ 8,155

8. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2020, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Loan Payable from Direct Borrowing	$ -	$ 1,742,208	$ -	$ 1,742,208	$ 669,092
Capital Leases Payable	7,330	-	7,330	-	-
Compensated Absences Payable	562,027	67,642	56,337	573,332	12,399
Other Postemployment Benefits Payable	156,682	49,976	25,481	181,177	6,452
Net Pension Liability	6,056,607	4,039,320	3,244,836	6,851,091	34,530
Total Long-Term Liabilities	$ 6,782,646	$ 5,899,146	$ 3,333,984	$ 9,347,808	$ 722,473

Loan Payable from Direct Borrowing. On May 3, 2020, the College borrowed $1,742,208 at a stated interest rate of 1 percent from a bank under the Paycheck Protection Program (program) established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The purpose of the program was to provide small businesses with funds to pay up to 24 weeks of payroll costs including benefits and select operating costs to combat the economic impact of the COVID-19 virus outbreak. The College utilized the funds for the 24-week period as originally stated in the program. The original loan term would have matured on May 3, 2022 and the College did not pledge any collateral for this loan. On March 22, 2021 the loan was repaid in full.

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, 2020, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $573,332. The current portion of the compensated absences liability, $12,399, is the amount expected to be paid in the coming fiscal year and represents known employees retiring in the upcoming fiscal year.

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 College 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, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	5
Inactive Employees Entitled to But Not Yet Receiving Benefits	1
Active Employees	98
Total	104

Total OPEB Liability

The College's total OPEB liability of $181,177 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.6 percent
Salary increases	4.00 – 7.80 percent, including inflation
Discount rate	3.50 percent current measurement date
Healthcare cost trend rates	7.00 percent for 2019, decreasing to an ultimate rate of 4.60 percent by 2026
Benefit-related costs	5.00 percent for 2019, decreasing to an ultimate rate of 4.60 percent by 2021

The discount rate 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, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019, valuation were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation.

Changes in the Total OPEB Liability

	Amount
Balance at 6/30/19	$ 156,682
Changes for the year:	
Service Cost	12,552
Interest	5,760
Differences Between Expected and Actual Experience	31,664
Changes in Assumptions or Other Inputs	(9,648)
Benefit Payments	(15,833)
Net Changes	24,495
Balance at 6/30/20	$ 181,177

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 percent in 2018 to 3.50 percent in 2019.

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 (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	$205,448	$181,177	$161,183

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$154,127	$181,177	$215,609

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

For the fiscal year ended June 30, 2020, the College recognized OPEB expense of $18,989. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 28,710	$ -
Change of assumptions or other inputs	-	19,202
Transactions subsequent to the measurement date	6,452	-
Total	$ 35,162	$ 19,202

Of the total amount reported as deferred outflows of resources related to OPEB, $6,452 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2021	$ 677
2022	677
2023	677
2024	677
2025	677
Thereafter	6,123
Total	$ 9,508

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, 2020, the College's proportionate share of the net pension liabilities totaled $6,851,091. Note 9. includes a complete discussion of defined benefit pension plans.

9. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

Essentially all regular employees of the College are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The College's FRS and HIS pension expense totaled $1,442,371 for the fiscal year ended June 30, 2020.

FRS Pension Plan

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2019-20 fiscal year were:

Class	Percent of Gross Salary Employee	Employer (1)
FRS, Regular	3.00	8.47
FRS, Senior Management Service	3.00	25.41
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.60
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 $440,677 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the College reported a liability of $4,815,994 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The College's proportionate share of the net pension liability was based on the College's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the College's proportionate share was 0.013984289 percent, which was an increase of 0.000076955 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of $1,274,256. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 285,650	$ 2,989
Change of assumptions	1,236,955	-
Net difference between projected and actual earnings on FRS Plan investments	-	266,446
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	95,578	-
College FRS contributions subsequent to the measurement date	440,677	-
Total	$ 2,058,860	$ 269,435

The deferred outflows of resources totaling $440,677, 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2021	$ 507,172
2022	156,626
2023	342,197
2024	257,393
2025	68,369
Thereafter	16,991
Total	$ 1,348,748

Actuarial Assumptions. The total pension liability in the July 1, 2019, 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	6.90 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018. This is a change from the prior year mortality assumption which was based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.3%	3.3%	1.2%
Fixed Income	18%	4.1%	4.1%	3.5%
Global Equity	54%	8.0%	6.8%	16.5%
Real Estate (Property)	10%	6.7%	6.1%	11.7%
Private Equity	11%	11.2%	8.4%	25.8%
Strategic Investments	6%	5.9%	5.7%	6.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.90 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 2019 valuation was updated from 7.00 percent to 6.90 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 6.90 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 (5.90 percent) or 1 percentage point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
College's proportionate share of the net pension liability	$8,325,251	$4,815,994	$1,885,172

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.

<u>HIS Pension Plan</u>

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, 2020, 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, 2020, 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 $100,280 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the College reported a net pension liability of $2,035,097 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, 2019, 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 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the College's proportionate share was 0.018188378 percent, which was an increase of 0.000542627 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of $168,115. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	$ 24,719	$ 2,492
Change of assumptions	235,645	166,332
Net difference between projected and actual earnings on HIS Plan investments	1,313	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	136,110	23,899
College contributions subsequent to the measurement date	100,280	-
Total	$ 498,067	$ 192,723

The deferred outflows of resources totaling $100,280, 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2021	$ 51,600
2022	59,632
2023	49,099
2024	5,120
2025	14,796
Thereafter	24,817
Total	$ 205,064

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	3.50 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 3.50 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 2019 valuation was updated from 3.87 percent to 3.50 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 3.50 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 (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
College's proportionate share of the net pension liability	$2,323,168	$2,035,097	$1,795,167

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.

10. 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 2019-20 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2020, 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 $282,392 for the fiscal year ended June 30, 2020.

11. Construction Commitments

The College's construction commitments at June 30, 2020, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Upper Keys Center	$ 20,000,000	$ 1,243,126	$ 18,756,874
EOC/Charter School	5,219,906	507,527	4,712,379
Generator - Building A	614,235	562,686	51,549
Generatior - Chiller	1,109,789	816,642	293,147
Total	$ 26,943,930	$ 3,129,981	$ 23,813,949

12. 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 from July 1, 2019 to February 29, 2020, and up to $110 million from March 1, 2020 to June 30, 2020, 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.

13. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 4,969,662
Institutional Support	3,400,830
Operation and Maintenance of Plant	1,621,149
Academic Support	1,586,020
Depreciation	1,368,042
Student Services	1,312,490
Scholarships and Waivers	549,525
Auxiliary Enterprises	91,401
Total Operating Expenses	$ 14,899,119

14. Related Party Transaction

The College has deposited its funds in an interest-bearing checking account with a local bank. A reconciliation of this account, its activity and any interest earned is reported monthly to the College's Board of Trustees. The checking account totaled $7,589,020 as of June 30, 2020. The College also applied and obtained through this local bank the Paycheck Protection Program loan disclosed in Note 8. The Monroe County Market President of the local bank is a member of the College's Board of Trustees.

15. Current Unrestricted Funds

The Southern Association of Colleges and Schools, Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net position, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net position. To meet this requirement, statements of net position and revenues, expenses, and changes in net position for the current unrestricted funds are presented as follows:

Statement of Current Unrestricted Funds Net Position

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 2,937,655
Accounts Receivable, Net	146,267
Due from Other Funds	20,450
Prepaid Expenses	314,190
TOTAL ASSETS	3,418,562
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow of Resources - Pension FRS	2,058,860
Deferred Outflow of Resources - Pension HIS	498,067
Deferred Outflow of Resources - OPEB	35,162
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,592,089
LIABILITIES	
Current Liabilities:	
Accounts Payable	144,827
Loan Payable	669,092
Deposits Held For Others	429
Compensated Absences Payable	12,399
Net Pension Liability	34,530
OPEB Payable	6,452
Total Current Liabilities	867,729
Noncurrent Liabilities:	
Loan Payable	1,073,116
Compensated Absences Payable	560,933
Other Postemployment Benefits Payable	174,725
Net Pension Liability	6,816,561
TOTAL LIABILITIES	9,493,064
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow of Resources - Pension FRS	269,435
Deferred Inflow of Resources - Pension HIS	192,723
Deferred Inflow of Resources - OPEB	19,202
TOTAL DEFERRED INFLOWS OF RESOURCES	481,360
TOTAL NET POSITION	$ (3,963,773)

Statement of Current Unrestricted Funds Revenues, Expenses, and Changes in Net Position

REVENUES	
Operating Revenues:	
Student Tuition and Fees, Net of Scholarship Allowances of $1,024,668	$ 1,691,580
Nongovernmental Grants and Contracts	165,998
Auxiliary Enterprises	82,685
Other Operating Revenues	94,887
Total Operating Revenues	2,035,150
EXPENSES	
Operating Expenses:	
Personnel Services	9,294,503
Utilities and Communications	574,659
Contractual Services	1,067,651
Other Services and Expenses	820,679
Materials and Supplies	270,042
Total Operating Expenses	12,027,534
Operating Loss	(9,992,384)
NONOPERATING REVENUES	
State Noncapital Appropriations	7,635,723
Gifts and Grants	92,767
Investment Income	72,944
Nonoperating Revenues	7,801,434
Loss Before Other Revenues and Transfers	(2,190,950)
State Capital Appropriations	522
Transfers from Other Funds	1,057,047
Decrease in Net Position	(1,133,381)
Net Position, Beginning of Year	(2,830,392)
Net Position, End of Year	$ (3,963,773)

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

	2019	2018	2017
Total OPEB Liability			
Service cost	$ 12,552	$ 12,823	$ 13,677
Interest	5,760	5,562	5,151
Difference between expected and actual experience	31,664	-	-
Changes of assumptions or other inputs	(9,648)	(5,083)	(9,005)
Benefit Payments	(15,833)	(25,495)	(23,944)
Net change in total OPEB liability	24,495	(12,193)	(14,121)
Total OPEB Liability - beginning	156,682	168,875	182,996
Total OPEB Liability - ending	$ 181,177	$ 156,682	$ 168,875
Covered-Employee Payroll	$ 5,882,011	$ 5,279,849	$ 5,279,849
Total OPEB Liability as a percentage of covered-employee payroll	**3.08%**	**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

	2019 (1)	2018 (1)	2017 (1)	2016 (1)
College's proportion of the FRS net pension liability	0.013984289%	0.013907334%	0.013772438%	0.013635125%
College's proportionate share of the FRS net pension liability	$ 4,815,994	$ 4,188,961	$ 4,073,795	$ 3,442,880
College's covered payroll (2)	$ 6,101,071	$ 5,794,859	$ 5,556,683	$ 5,308,969
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	78.94%	72.29%	73.31%	64.85%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.61%	84.26%	83.89%	84.88%

(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

	2020 (1)	2019 (1)	2018 (1)	2017 (1)
Contractually required FRS contribution	$ 440,677	$ 433,614	$ 396,348	$ 358,530
FRS contributions in relation to the contractually required contribution	(440,677)	(433,614)	(396,348)	(358,530)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 6,066,168	$ 6,101,071	$ 5,794,859	$ 5,556,683
FRS contributions as a percentage of covered payroll	7.26%	7.11%	6.84%	6.45%

(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.

	2015 (1)	2014 (1)	2013 (1)
	0.013471189%	0.012608178%	0.010386350%
	$ 1,739,985	$ 769,284	$ 1,787,952
	$ 4,807,070	$ 4,703,422	$ 5,559,097
	36.20%	16.36%	32.16%
	92.00%	96.09%	88.54%

	2016 (1)	2015 (1)	2014 (1)
	$ 330,000	$ 328,439	$ 276,173
	(330,000)	(328,439)	(276,173)
	$ -	$ -	$ -
	$ 5,308,969	$ 4,807,070	$ 4,703,422
	6.22%	6.83%	5.87%

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

	2019 (1)	**2018** (1)	**2017** (1)	**2016** (1)
College's proportion of the HIS net pension liability	0.018188378%	0.017645751%	0.017342620%	0.017187491%
College's proportionate share of the HIS net pension liability	$ 2,035,097	$ 1,867,646	$ 1,854,353	$ 2,003,131
College's covered payroll (2)	$ 6,101,071	$ 5,794,859	$ 5,556,683	$ 5,308,969
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.36%	32.23%	33.37%	37.73%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.63%	2.15%	1.64%	0.97%

(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

	2020 (1)	**2019** (1)	**2018** (1)	**2017** (1)
Contractually required HIS contribution	$ 100,280	$ 100,998	$ 95,693	$ 91,782
HIS contributions in relation to the contractually required HIS contribution	(100,280)	(100,998)	(95,693)	(91,782)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 6,066,168	$ 6,101,071	$ 5,794,859	$ 5,556,683
HIS contributions as a percentage of covered payroll	1.65%	1.66%	1.65%	1.65%

(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.

	2015 (1)	2014 (1)	2013 (1)
	0.015844871%	0.015826542%	0.017473573%
	$ 1,615,928	$ 1,479,820	$ 1,521,304
	$ 4,807,070	$ 4,703,422	$ 5,559,097
	33.62%	31.46%	27.37%
	0.50%	0.99%	1.78%

	2016 (1)	2015 (1)	2014 (1)
	$ 61,000	$ 60,569	$ 54,216
	(61,000)	(60,569)	(54,216)
	$ -	$ -	$ -
	$ 5,308,969	$4,807,070	$4,703,422
	1.15%	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 decreased from 3.87 percent at the prior measurement date to 3.50 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 7.00 percent to 6.90 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 decreased from 3.87 percent to 3.50 percent.

Sherrill F. Norman, CPA
Auditor General

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Legislative Auditing Committee

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The College of the Florida Keys, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2020, 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 24, 2021, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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*. However, we identified a certain additional matter which is described in the accompanying ***FINDING AND RECOMMENDATION*** section of this report as Additional Matter Finding No. 2020-001.

College's Response to Finding

The College response to the finding identified in our audit is included as College Response in Additional Matter Finding No. 2020-001. The College response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 24, 2021

FINDING AND RECOMMENDATION

ADDITIONAL MATTER

FINANCIAL REPORTING

Finding Number	**2020-001**
Opinion Unit	Not applicable
Financial Statements Account Title	Not Applicable
Adjustment Amounts	Not Applicable
Prior Year Finding	Not Applicable
Statistically Valid Sample	Not Applicable

Finding

In May 2020, the College applied for and received a $1,742,208 loan from the Paycheck Protection Program (PPP) funded by the Federal CARES Act. However, the College is a governmental entity created pursuant to State law and, according to PPP requirements, such loans are only for certain entities, such as nonprofits, businesses, and veteran organizations, under certain circumstances, and government-owned entities are ineligible.

Criteria

CARES Act, Public Law Nos. 116 through 136, Sections 1102 and 1106, provide that nonprofit organizations, as described in Section 501(c)(3) of the Internal Revenue Code (IRC), business concerns of various types, veteran organizations, and tribal business concerns are eligible to receive PPP loans under certain circumstances. The Public Law also allows PPP loan borrowers to apply for full forgiveness of the PPP loan if certain conditions are met. In addition, the United States Small Business Administration (SBA) Interim rule No. 2020-0015 and Title 13, Section 120.110, Code of Federal Regulations, provide that government-owned entities are ineligible to receive a PPP loan.

Condition

In April 2020, College personnel submitted a PPP Borrower Application Form (loan application form) to a bank, an approved PPP lender, and the lender disbursed $1,742,208 in PPP loan funds to the College. On the loan application form, College personnel identified the College as a "501(c)(3) nonprofit." However, the College is a governmental entity created pursuant to Sections 1000.21 and 1001.60, Florida Statutes, and is not an organization described in Section 501(c)(3) of the IRC.

In response to our inquiries, College personnel acknowledged that the College did not meet the definition of a nonprofit entity described in the IRC and indicated that the appropriate selection on the loan application form should have been "other." Although we requested, College records were not provided to demonstrate the basis for selecting the "other" category. In addition, College personnel indicated that in December 2020 the College applied to be forgiven for the $1.7 million loan but, as of February 2021, approval for forgiveness of the loan had not been received.

Cause

College personnel indicated that the loan application form was completed by an inexperienced College employee who believed the College was eligible for the loan and that the selection of "501(c)(3) nonprofit" on the loan application form was an honest mistake. Although we requested, College personnel did not provide documentation from the SBA regarding the College's eligibility for the loan.

Effect

As the College is not an organization or entity specified in the PPP requirements, the SBA will likely require the College to repay the obligation in full.

Recommendation	The College should immediately repay the $1.7 million PPP loan or demonstrate, based on official documentation from the SBA regarding the College's eligibility, that immediate repayment is unnecessary.
College Response	The College has attempted to resolve this matter with the lender and the Small Business Administration. Due to a lack of sufficient direction by either party and to prevent any further complication, the College returned the total amount received from the Paycheck Protection Program on March 22, 2021.