

THE COLLEGE OF THE FLORIDA KEYS

For the Fiscal Year Ended
June 30, 2021



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2020-21 fiscal year, Dr. Jonathan Gueverra served as President of The College of the Florida Keys and the following individuals served as Members of the Board of Trustees:

Stephanie S. Scuderi, Chair
Kevin Madok, Vice Chair
Dan Leben through 2-23-21 ^a
Michael H. Puto
Elena G. Spottswood
Sheldon Suga

^a Trustee position vacant 2-24-21,
through 6-30-21.

Note: One Trustee position was
vacant for the entire fiscal
year.

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 Giancarlo Guerrero, 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.

This report and other reports prepared by the Auditor General are available at:

FLAuditor.gov

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General

Claude Pepper Building, Suite G74 · 111 West Madison Street · Tallahassee, FL 32399-1450 · (850) 412-2722

THE COLLEGE OF THE FLORIDA KEYS
TABLE OF CONTENTS

	<u>Page No.</u>
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	1
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	14
Statement of Revenues, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18
Notes to Financial Statements	20
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios	41
Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	42
Schedule of College Contributions – Florida Retirement System Pension Plan	42
Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan.....	44
Schedule of College Contributions – Health Insurance Subsidy Pension Plan.....	44
Notes to Required Supplementary Information	46
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 <i>GOVERNMENT AUDITING STANDARDS</i>	
Internal Control Over Financial Reporting	47
Compliance and Other Matters	48
Purpose of this Report	48
PRIOR AUDIT FOLLOW-UP	49

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.

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;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements; and
- Taken corrective action for the finding included in our report No. 2021-174.

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, 2021. 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

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



Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of 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, 2021, 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, 2021, 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 30, 2022, on our consideration of The College of the Florida Keys' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts,

and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The College of the Florida Keys' internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 30, 2022

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, 2021, 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, 2021, and June 30, 2020, and its component unit, the Florida Keys Educational Foundation, Inc. for the fiscal years ended March 31, 2021, and March 31, 2020.

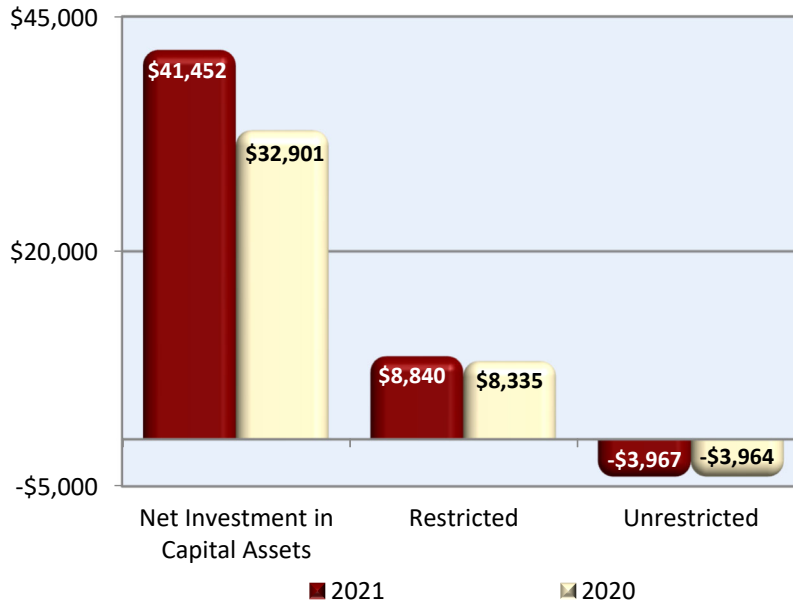
FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$59.3 million at June 30, 2021. This balance reflects a \$11.4 million, or 23.7 percent, increase as compared to the 2019-20 fiscal year, resulting from increases in non-depreciable capital assets of \$9.8 million, accounts receivables due from other governmental agencies of \$3.1 million, and net depreciable capital assets of \$0.6 million. These increases were offset by decreases in noncurrent restricted cash and cash equivalents of \$1.3 million and current cash and cash equivalents of \$0.8 million. While assets and deferred outflows of resources increased, liabilities and deferred inflows of resources also increased by \$2.3 million, or 21.6 percent, totaling \$13 million at June 30, 2021, resulting mainly from increases in accounts payable of \$1.4 million and pension liability of \$1 million. As a result, the College's net position increased by \$9.1 million, resulting in a year-end balance of \$46.3 million.

The College's operating revenues totaled \$2.5 million for the 2020-21 fiscal year, remaining unchanged when compared to the 2019-20 fiscal year. Operating expenses totaled \$16.1 million for the 2020-21 fiscal year, representing an increase of \$1.2 million, or 8.2 percent, as compared to the 2019-20 fiscal year due mainly to increases of \$0.6 million in materials and supplies, \$0.6 million in contractual services, and \$0.2 million in other services and expenses, offset by a decrease of \$0.2 million in personnel services.

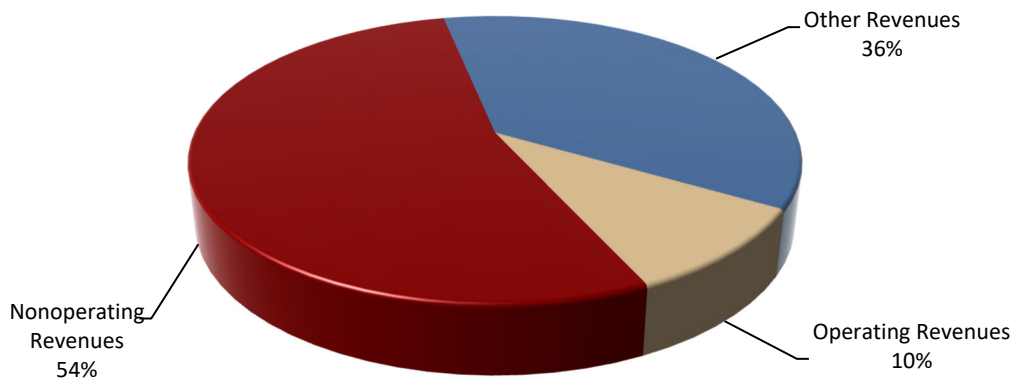
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2021, and June 30, 2020, is shown in the following graph:

**Net Position
(In Thousands)**



The following chart provides a graphical presentation of College revenues by category for the 2020-21 fiscal year:

**Total Revenues
2020-21 Fiscal Year**



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to the 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, the 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 this component unit is presented in the MD&A and notes to financial statements.

The Statement of Net Position

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

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

Condensed Statement of Net Position at

(In Thousands)

	College		Component Unit	
	06-30-21	06-30-20	03-31-21	03-31-20
Assets				
Current Assets	\$ 11,136	\$ 8,886	\$ 7,476	\$ 4,274
Capital Assets, Net	43,238	32,901	49	52
Other Noncurrent Assets	2,302	3,601	215	296
Total Assets	56,676	45,388	7,740	4,622
Deferred Outflows of Resources	2,670	2,592	-	-
Liabilities				
Current Liabilities	3,944	1,602	31	38
Noncurrent Liabilities	8,700	8,625	-	-
Total Liabilities	12,644	10,227	31	38
Deferred Inflows of Resources	377	481	-	-
Net Position				
Net Investment in Capital Assets	41,452	32,901	-	-
Restricted	8,840	8,335	6,480	3,709
Unrestricted	(3,967)	(3,964)	1,229	875
Total Net Position	\$ 46,325	\$ 37,272	\$ 7,709	\$ 4,584

Significant events include the following:

- Current assets increased by \$2.3 million, or 25.3 percent, primarily due to an increase of \$3.1 million in accounts receivables due from governmental agencies, including \$3 million due from the U.S. Department of Commerce's Economic Development Administration's Upper Keys Center construction grant, and \$0.1 million due from other governmental agencies for various grants and contracts. These increases were offset by a decrease in current cash and cash equivalents of \$0.8 million.

- Other noncurrent and capital assets, net increased a combined \$9 million, or 24.8 percent, primarily due to increases in construction in progress of \$10.2 million and net furniture, machinery and equipment of \$1.5 million mainly for purchases of equipment for information technology upgrades and academic programs. These increases were offset by decreases in land of \$0.5 million due to the sale of the Tavernier property, and restricted cash and cash equivalents of \$1.3 million.
- Total liabilities increased by \$2.4 million, or 23.6 percent, primarily due to an increase in current notes payable of \$1.8 million from the usage of the line of credit to temporarily finance the Upper Keys Center construction, an increase in accounts payable of \$1.4 million, an increase in net pension liability of \$1 million, and an increase in compensated absences payable of \$0.1 million. These increases were offset by a decrease in current and noncurrent loans payable of \$1.7 million for the repayment of the Paycheck Protection Program loan.
- Net position increased by \$9.1 million, or 24.3 percent, mainly due to an increase in net investment in capital assets of \$8.6 million.

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 unit for the respective fiscal years:

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

(In Thousands)

	<u>College</u>		<u>Component Unit</u>	
	<u>2020-21</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2019-20</u>
Operating Revenues	\$ 2,466	\$ 2,456	\$ 1,836	\$ 804
Less, Operating Expenses	16,127	14,899	876	1,568
Operating Income (Loss)	(13,661)	(12,443)	960	(764)
Net Nonoperating Revenues (Expenses)	13,500	13,050	2,165	(675)
Income (Loss) Before Other Revenues	(161)	607	3,125	(1,439)
Other Revenues	9,214	302	-	-
Net Increase (Decrease) In Net Position	9,053	909	3,125	(1,439)
Net Position, Beginning of Year	37,272	36,363	4,584	6,023
Net Position, End of Year	<u>\$ 46,325</u>	<u>\$ 37,272</u>	<u>\$ 7,709</u>	<u>\$ 4,584</u>

Operating Revenues

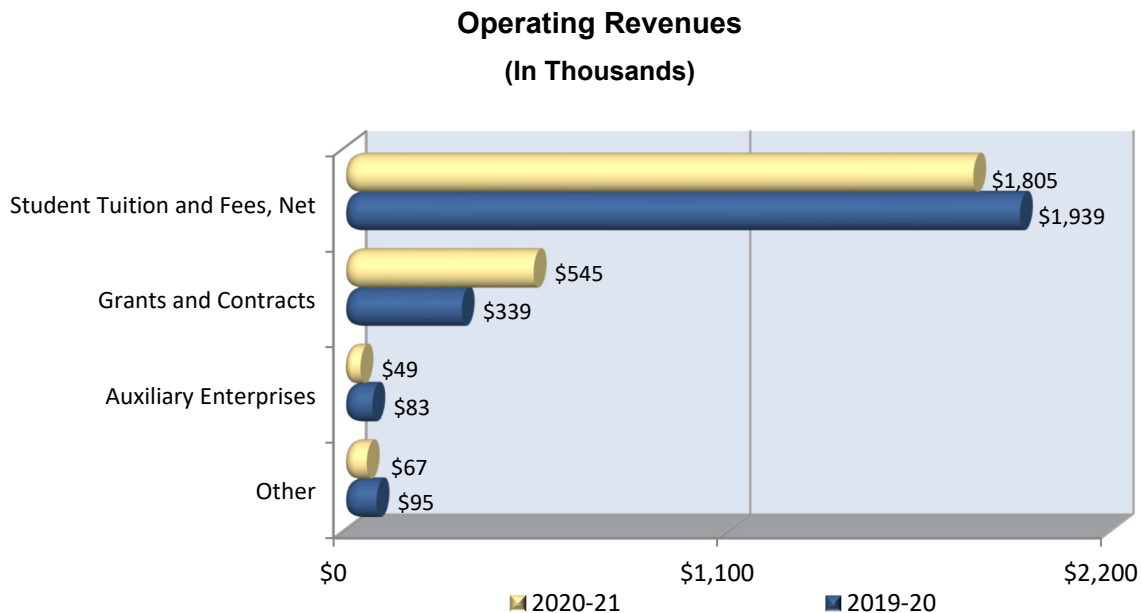
GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

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

**Operating Revenues
For the Fiscal Years**
(In Thousands)

	College		Component Unit	
	2020-21	2019-20	2020-21	2019-20
Student Tuition and Fees, Net	\$ 1,805	\$ 1,939	\$ -	\$ -
Grants and Contracts	545	339	-	-
Auxiliary Enterprises	49	83	-	-
Other	67	95	1,836	804
Total Operating Revenues	\$ 2,466	\$ 2,456	\$ 1,836	\$ 804

The following chart presents the College’s operating revenues for the 2020-21 and 2019-20 fiscal years:



College operating revenue remained basically unchanged due to an increase in grants and contracts of \$0.2 million offset by a decrease in net tuition and fees of \$0.1 million and a combined decrease in auxiliary enterprises and other revenues of \$0.1 million.

Operating Expenses

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

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

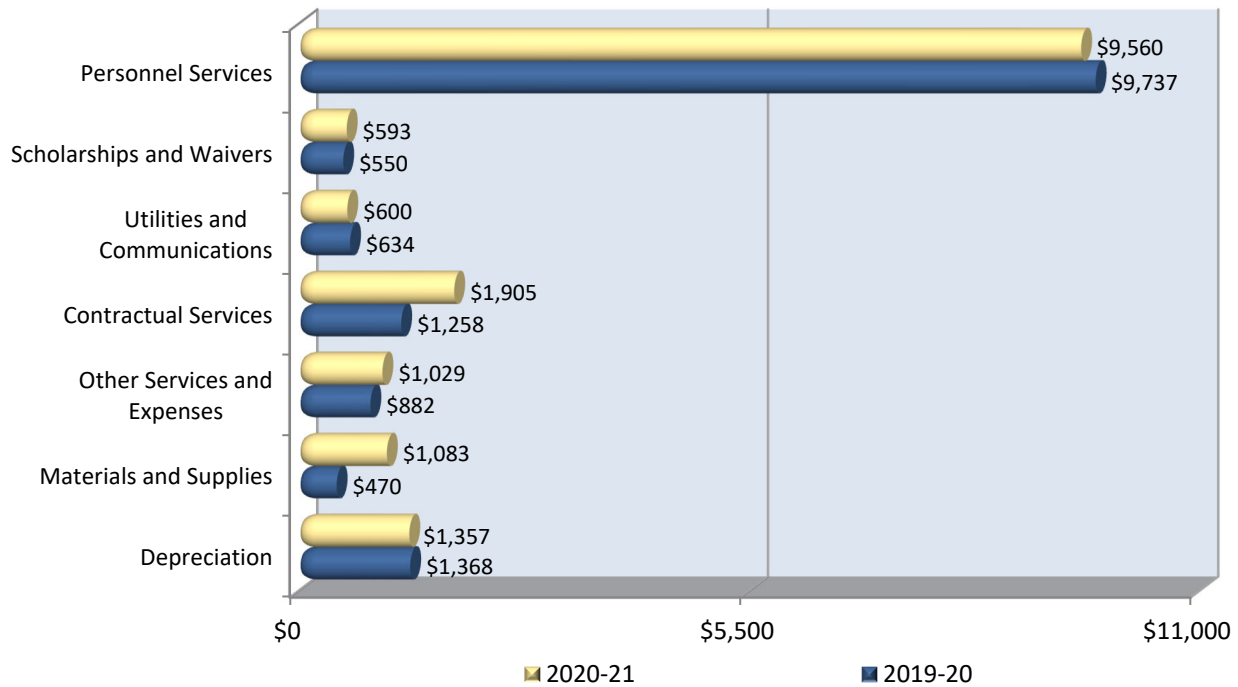
**Operating Expenses
For the Fiscal Years**

(In Thousands)

	College		Component Unit	
	2020-21	2019-20	2020-21	2019-20
Personnel Services	\$ 9,560	\$ 9,737	\$ -	\$ -
Scholarships and Waivers	593	550	169	167
Utilities and Communications	600	634	-	-
Contractual Services	1,905	1,258	-	-
Other Services and Expenses	1,029	882	704	1,398
Materials and Supplies	1,083	470	-	-
Depreciation	1,357	1,368	3	3
Total Operating Expenses	\$ 16,127	\$ 14,899	\$ 876	\$ 1,568

The following chart presents the College's operating expenses for the 2020-21 and 2019-20 fiscal years:

**Operating Expenses
(In Thousands)**



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

- Contractual services increased by \$0.6 million, due to expenses in technology services of \$0.3 million, noncapital expenses of \$0.1 million in the Upper Keys Center, instructional services of \$0.1 million, and charter school consultant fees of \$0.1 million.
- Other services and expenses increased by \$0.2 million, primarily due to an increase in chiller repairs of \$0.1 million and an increase in insurance of \$0.1 million.

- Materials and supplies increased by \$0.6 million primarily due to the purchase of noncapital furniture and equipment of \$0.1 million for the Upper Keys Center, various grant expenses of \$0.3 million, and additional instructional materials and data software purchases of \$0.1 million.

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. The following summarizes the College's nonoperating revenues for the 2020-21 and 2019-20 fiscal years:

Nonoperating Revenues For the Fiscal Years		
(In Thousands)		
	2020-21	2019-20
State Noncapital Appropriations	\$ 8,525	\$ 7,636
Federal and State Student Financial Aid	1,751	1,464
Gifts and Grants	3,196	3,874
Investment Income	28	76
Nonoperating Revenues	\$ 13,500	\$ 13,050

Nonoperating revenues increased by \$0.5 million, or 3.4 percent, as a result of increases in State noncapital appropriations of \$0.9 million, and in Federal and State student financial aid of \$0.3 million offset by a decrease in gifts and grants of \$0.7 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 2020-21 and 2019-20 fiscal years:

Other Revenues For the Fiscal Years		
(In Thousands)		
	2020-21	2019-20
State Capital Appropriations	\$ 31	\$ 35
Capital Grants, Contracts, Gifts, and Fees	9,183	267
Total	\$ 9,214	\$ 302

Total other revenues increased by \$8.9 million, or 2,951 percent, as a result of the Upper Keys Center construction grant from the United States Department of Commerce's Economic Development Administration totaling \$8.9 million.

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 2020-21 and 2019-20 fiscal years:

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

	2020-21	2019-20
Cash Provided (Used) by:		
Operating Activities	\$ (11,662)	\$ (10,210)
Noncapital Financing Activities	13,476	14,880
Capital and Related Financing Activities	(4,023)	(1,587)
Investing Activities	28	76
Net Increase (Decrease) in Cash and Cash Equivalents	(2,181)	3,159
Cash and Cash Equivalents, Beginning of Year	6,792	3,633
Cash and Cash Equivalents, End of Year	\$ 4,611	\$ 6,792

Major sources of funds were generated from State noncapital appropriations (\$8.5 million), capital grants and gifts (\$6.2 million), noncapital gifts and grants (\$3.2 million), net student tuition and fees (\$1.8 million), Federal and State student financial aid (\$1.8 million), and Federal Direct Loan program receipts (\$1.3 million). Major uses of funds were for purchases of capital assets (\$10.3 million), payments to employees and employee benefits (\$8.6 million), payment to suppliers (\$4.1 million), and disbursements to students for the Federal Direct Loan program (\$1.3 million).

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

- Net cash used for operating activities increased by \$1.5 million, or 14.2 percent, due to an increase in payments to suppliers of \$1.5 million.
- Net cash provided by noncapital financing activities decreased by \$1.4 million, or 9.3 percent, mainly due to decreases in other nonoperating receipts of \$1.7 million, and in cash received from gifts and grants of \$0.7 million, offset by an increase in State noncapital appropriation receipts of \$0.9 million.
- Net cash used by capital and related financing activities increased by \$2.4 million, or 153.4 percent, mainly due to an increase in cash used for the purchase of capital assets of \$6.6 million and a decrease of State capital appropriation receipts of \$1.9 million, offset by an increase in cash received from capital grants and gifts of \$6 million.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION
--

Capital Assets

At June 30, 2021, the College had \$72.4 million in capital assets, less accumulated depreciation of \$29.2 million, for net capital assets of \$43.2 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)

	2021	2020
Land	\$ 3,322	\$ 3,792
Construction in Progress	13,357	3,130
Buildings	22,697	23,573
Other Structures and Improvements	515	535
Furniture, Machinery, and Equipment	3,347	1,871
Capital Assets, Net	\$ 43,238	\$ 32,901

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, 2021, were incurred for new construction of the 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, 2021, are as follows:

	Amount (In Thousands)
Total Committed	\$ 25,220
Completed to Date	(13,357)
Balance Committed	\$ 11,863

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

Debt Administration

As of June 30, 2021, the College had \$1.8 million in outstanding note payable, representing an increase of \$1.8 million, or 100 percent, from the prior fiscal year.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2021-22 fiscal year. The Board of Trustees has forgone the option to increase tuition rates for 2021-22 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.

BASIC FINANCIAL STATEMENTS

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

June 30, 2021

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,118,873	\$ 1,116,551
Restricted Cash and Cash Equivalents	189,572	-
Investments	-	6,185,581
Accounts Receivable, Net	173,807	42,794
Notes Receivable, Net	-	90,750
Due from Other Governmental Agencies	8,257,226	-
Prepaid Expenses	396,518	40,000
Total Current Assets	<u>11,135,996</u>	<u>7,475,676</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,302,195	-
Notes Receivable, Net	-	192,110
Depreciable Capital Assets, Net	26,559,353	5,435
Nondepreciable Capital Assets	16,679,074	43,774
Other Assets	-	23,399
Total Noncurrent Assets	<u>45,540,622</u>	<u>264,718</u>
TOTAL ASSETS	<u>56,676,618</u>	<u>7,740,394</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	35,212	-
Pensions	2,634,745	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,669,957</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,519,063	30,842
Salary and Payroll Taxes Payable	465,823	-
Unearned Revenue	12	-
Deposits Held for Others	117,616	-
Long-Term Liabilities - Current Portion:		
Notes Payable	1,786,565	-
Compensated Absences Payable	23,635	-
Other Postemployment Benefits Payable	9,456	-
Net Pension Liability	22,151	-
Total Current Liabilities	<u>3,944,321</u>	<u>30,842</u>

	<u>College</u>	<u>Component Unit</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Compensated Absences Payable	671,116	-
Other Postemployment Benefits Payable	177,791	-
Net Pension Liability	7,851,082	-
Total Noncurrent Liabilities	<u>8,699,989</u>	<u>-</u>
TOTAL LIABILITIES	<u>12,644,310</u>	<u>30,842</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	23,018	-
Pensions	354,042	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>377,060</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	41,451,862	-
Restricted:		
Nonexpendable:		
Endowment	-	6,480,615
Expendable:		
Grants and Loans	328,460	-
Scholarships	72,473	-
Capital Projects	8,439,411	-
Unrestricted	<u>(3,967,001)</u>	<u>1,228,937</u>
TOTAL NET POSITION	<u>\$ 46,325,205</u>	<u>\$ 7,709,552</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2021

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$1,429,228	\$ 1,805,362	\$ -
Federal Grants and Contracts	378,888	-
State and Local Grants and Contracts	42,290	-
Nongovernmental Grants and Contracts	123,662	-
Auxiliary Enterprises	49,355	-
Other Operating Revenues	66,718	1,836,089
Total Operating Revenues	2,466,275	1,836,089
EXPENSES		
Operating Expenses:		
Personnel Services	9,559,439	-
Scholarships and Waivers	593,260	168,582
Utilities and Communications	599,684	-
Contractual Services	1,905,239	-
Other Services and Expenses	1,029,261	704,615
Materials and Supplies	1,083,040	-
Depreciation	1,357,227	2,720
Total Operating Expenses	16,127,150	875,917
Operating Income (Loss)	(13,660,875)	960,172
NONOPERATING REVENUES		
State Noncapital Appropriations	8,525,427	-
Federal and State Student Financial Aid	1,750,921	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	3,195,677	-
Investment Income	27,700	2,165,725
Nonoperating Revenues	13,499,725	2,165,725
Income (Loss) Before Other Revenues	(161,150)	3,125,897
State Capital Appropriations	31,382	-
Capital Grants, Contracts, Gifts, and Fees	9,183,063	-
Total Other Revenues	9,214,445	-
Increase in Net Position	9,053,295	3,125,897
Net Position, Beginning of Year	37,271,910	4,583,655
Net Position, End of Year	\$ 46,325,205	\$ 7,709,552

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

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

For the Fiscal Year Ended June 30, 2021

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 1,839,134
Grants and Contracts	446,927
Payments to Suppliers	(4,147,784)
Payments for Utilities and Communications	(599,684)
Payments to Employees	(6,476,616)
Payments for Employee Benefits	(2,168,864)
Payments for Scholarships	(613,826)
Auxiliary Enterprises	49,859
Other Receipts	8,717
Net Cash Used by Operating Activities	(11,662,137)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	8,525,427
Federal and State Student Financial Aid	1,755,543
Federal Direct Loan Program Receipts	1,286,451
Federal Direct Loan Program Disbursements	(1,286,451)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	3,195,677
Net Cash Provided by Noncapital Financing Activities	13,476,647
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	110,117
Capital Grants and Gifts	6,179,526
Purchases of Capital Assets	(10,312,831)
Net Cash Used by Capital and Related Financing Activities	(4,023,188)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	27,700
Net Cash Provided by Investing Activities	27,700
Net Decrease in Cash and Cash Equivalents	(2,180,978)
Cash and Cash Equivalents, Beginning of Year	6,791,618
Cash and Cash Equivalents, End of Year	\$ 4,610,640

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (13,660,875)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,357,227
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	76,679
Due from Other Governmental Agencies	(198,896)
Due from Component Unit	8,958
Prepaid Expenses	(80,703)
Accounts Payable	(2,255)
Salaries and Payroll Taxes Payable	(162,808)
Unearned Revenue	12
Deposits Held for Others	33,061
Compensated Absences Payable	121,419
Other Postemployment Benefits Payable	6,070
Net Pension Liability	1,022,142
Deferred Outflows of Resources Related to Other Postemployment Benefits	(50)
Deferred Inflows of Resources Related to Other Postemployment Benefits	3,816
Deferred Outflows of Resources Related to Pensions	(77,818)
Deferred Inflows of Resources Related to Pensions	(108,116)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (11,662,137)</u></u>

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 Annual Comprehensive 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 Vice President for Finance and Administration, 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, 2021.

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 entities.

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). Other revenues generally include revenues for capital construction projects.

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between

the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College identified within its accounting system, amounts paid for tuition and fees by financial aid. The College records a scholarship allowance against student tuition and fees for the total paid by financial aid.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash invested with the State Board of Administration (SBA) Florida PRIME investment pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less, that are not held solely for income or profit, to be cash equivalents. Under this definition, the College considers amounts invested in the SBA Florida PRIME investment pool to be cash equivalents.

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

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

At June 30, 2021, the College reported as cash equivalents \$103,412 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 50 days as of June 30, 2021. 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, 2021, 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 compensated absences payable, other postemployment benefits payable, and net pension liabilities that are not scheduled to be paid within the next fiscal year.

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

2. Deficit Net Position in Individual Funds

The College reported an unrestricted net position which included a deficit in the current funds - unrestricted, as shown below. This deficit can be attributed to the full recognition of long-term

liabilities (i.e., compensated absences payable, OPEB payable, and net pension liabilities) in the current unrestricted funds.

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (4,114,547)
Auxiliary Funds	<u>147,547</u>
Total	\$ (3,967,001)

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, 2021, the College does not hold investment accounts.

Component Unit Investments. Investments held by the Foundation at March 31, 2021, are reported at fair value (level 1 inputs) as follows:

<u>Investment Type</u>	<u>Amount</u>
Mutual Funds - Equities	\$ 5,543,551
Mutual Funds - Fixed Income	<u>642,030</u>
Total Component Unit Investments	\$ 6,185,581

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 \$28,081 allowance for doubtful accounts.

5. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$4,349,361 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$3,003,537 due from the United States Department of Commerce's Economic Development Administration for the construction of the Upper Keys Center. Additionally, \$523,119 is due from the United States Department of Education for Coronavirus Aid, Relief, and Economic Security Act (CARES Act) related support, and \$381,209 due from various grant programs.

6. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 3,791,796	\$ -	\$ 470,000	\$ 3,321,796
Construction in Progress	3,129,981	11,606,625	1,379,328	13,357,278
Total Nondepreciable Capital Assets	\$ 6,921,777	\$ 11,606,625	\$ 1,849,328	\$ 16,679,074
Depreciable Capital Assets:				
Buildings	\$ 45,627,949	\$ -	\$ -	\$ 45,627,949
Other Structures and Improvements	3,507,029	46,500	-	3,553,529
Furniture, Machinery, and Equipment	4,654,098	1,890,633	13,825	6,530,906
Assets Under Capital Leases	66,585	-	-	66,585
Total Depreciable Capital Assets	53,855,661	1,937,133	13,825	55,778,969
Less, Accumulated Depreciation:				
Buildings	22,055,208	875,491	-	22,930,699
Other Structures and Improvements	2,971,546	66,935	-	3,038,481
Furniture, Machinery, and Equipment	2,782,875	414,801	13,825	3,183,851
Assets Under Capital Leases	66,585	-	-	66,585
Total Accumulated Depreciation	27,876,214	1,357,227	13,825	29,219,616
Total Depreciable Capital Assets, Net	\$ 25,979,447	\$ 579,906	\$ -	\$ 26,559,353

Capital assets activity of the Florida Keys Educational Foundation, Inc. for the fiscal year ended March 31, 2021, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
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	19,040	2,720	-	21,760
Total Depreciable Capital Assets, Net	\$ 8,155	\$ (2,720)	\$ -	\$ 5,435

7. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2021, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Loan Payable from Direct Borrowing	\$ 1,742,208	\$ -	\$ 1,742,208	\$ -	\$ -
Note Payable from Direct Borrowing	-	5,908,468	4,121,903	1,786,565	1,786,565
Compensated Absences Payable	573,332	148,243	26,824	694,751	23,635
Other Postemployment Benefits Payable	181,177	19,157	13,087	187,247	9,456
Net Pension Liability	6,851,091	3,701,423	2,679,281	7,873,233	22,151
Total Long-Term Liabilities	\$ 9,347,808	\$ 9,777,291	\$ 8,583,303	\$ 10,541,796	\$ 1,841,807

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 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.

Note Payable from Direct Borrowing. On October 14, 2020, the College established a revolving line of credit of \$5,000,000, at a stated interest rate of 4.75 percent, from Centennial Bank for the construction of the Upper Keys Center. The loan maturity date is October 14, 2022, and the College did not pledge any collateral for this line of credit. At June 30, 2021, the liability for the use of the line of credit totaled \$1,786,565. Federal grant award funds from the United States Department of Commerce's Economic Development Administration will support the replenishment of the line of credit as reimbursements are received.

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, 2021, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$694,751. The current portion of the compensated absences liability, \$23,635, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for other postemployment benefits administered by the 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) is a single-employer defined benefit 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	<u>104</u>

Total OPEB Liability

The College's total OPEB liability of \$187,247 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019.

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	2.40 percent
Salary increases	
Regular Employees	3.40 percent – 7.80 percent
Senior Management	4.10 percent – 8.20 percent
Discount rate	3.50 percent – At Prior Measurement Date 2.21 percent – At Measurement Date
Healthcare cost trend rates	Pre-Medicare – 7.00 percent for 2019, decreasing to an ultimate rate of 4.50 percent by 2026 Medicare - 5.00 percent for 2019, decreasing to an ultimate rate of 4.60 percent by 2026

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

Mortality rates were based on the PUB-2010 mortality tables, with adjustments for FRS experience and generational mortality improvements using Scale MP-2018.

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, 2013, through June 30, 2018, 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 6/30/20	<u>\$ 181,177</u>
Changes for the year:	
Service Cost	12,491
Interest	6,666
Changes in Assumptions or Other Inputs	(6,635)
Benefit Payments	<u>(6,452)</u>
Net Changes	<u>6,070</u>
Balance at 6/30/21	<u><u>\$ 187,247</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50 percent in 2019 to 2.21 percent in 2020.

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 (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB liability	\$215,365	\$187,247	\$164,480

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$154,684	\$187,247	\$230,214

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

For the fiscal year ended June 30, 2021, the College recognized OPEB expense of \$19,292. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,756	\$ -
Change of assumptions or other inputs	-	23,018
Transactions subsequent to the measurement date	9,456	-
Total	\$ 35,212	\$ 23,018

Of the total amount reported as deferred outflows of resources related to OPEB, \$9,456 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 135
2023	135
2024	135
2025	135
2026	135
Thereafter	2,063
Total	\$ 2,738

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, 2021, the College’s proportionate share of the net pension liabilities totaled \$7,873,233. Note 8. includes a complete discussion of defined benefit pension plans.

8. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established

the HIS Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the College are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. An annual comprehensive 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 \$1,404,025 for the fiscal year ended June 30, 2021.

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:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
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 2020-21 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	10.00
FRS, Senior Management Service	3.00	27.29
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	16.98
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 \$464,983 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the College reported a liability of \$5,748,467 for its

proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The College's proportionate share of the net pension liability was based on the College's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the College's proportionate share was 0.013263201 percent, which was a decrease of 0.000721088 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the College recognized pension expense of \$1,228,790. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 220,006	\$ -
Change of assumptions	1,040,655	-
Net difference between projected and actual earnings on FRS Plan investments	342,269	-
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	42,880	152,570
College FRS contributions subsequent to the measurement date	464,983	-
Total	\$ 2,110,793	\$ 152,570

The deferred outflows of resources totaling \$464,983, 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 318,713
2023	494,274
2024	413,665
2025	234,203
2026	32,385
Total	\$ 1,493,240

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 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.

The actuarial assumptions used in the July 1, 2020, 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:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
Total	100%			
Assumed inflation - Mean			2.4%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.80 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 2020 valuation was updated from 6.90 percent to 6.80 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 6.80 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 (5.80 percent) or 1 percentage point higher (7.80 percent) than the current rate:

	<u>1% Decrease (5.80%)</u>	<u>Current Discount Rate (6.80%)</u>	<u>1% Increase (7.80%)</u>
College's proportionate share of the net pension liability	\$9,179,335	\$5,748,467	\$2,882,990

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 Annual Comprehensive Financial Report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. 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, 2021, 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, 2021, 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 \$102,704 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the College reported a net pension liability of \$2,124,766 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The College's proportionate share of the net pension liability was based on the College's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the College's proportionate share was 0.017402080 percent, which was a decrease of 0.000786298 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the College recognized pension expense of \$175,235. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 86,916	\$ 1,639
Change of assumptions	228,473	123,547
Net difference between projected and actual earnings on HIS Plan investments	1,696	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	104,163	76,286
College contributions subsequent to the measurement date	102,704	-
Total	\$ 523,952	\$ 201,472

The deferred outflows of resources totaling \$102,704, 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 69,411
2023	59,496
2024	16,812
2025	25,844
2026	31,049
Thereafter	17,164
Total	\$ 219,776

Actuarial Assumptions. The total pension liability at July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.21 percent

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.

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 2.21 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 2020 valuation was updated from 3.50 percent to 2.21 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 2.21 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 (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
College’s proportionate share of the net pension liability	\$2,456,134	\$2,124,766	\$1,853,541

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 Annual Comprehensive Financial Report.

9. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State’s Annual Comprehensive 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 2020-21 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2021, 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 \$294,682 for the fiscal year ended June 30, 2021.

10. Construction Commitments

The College's construction commitments at June 30, 2021, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Upper Keys Center	\$ 20,000,000	\$ 12,783,803	\$ 7,216,197
Emergency Operations Center/Charter School	5,219,906	573,475	4,646,431
Total	\$ 25,219,906	\$ 13,357,278	\$ 11,862,628

11. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop,

implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to \$110 million to February 28, 2021, and up to \$100 million from March 1, 2021, for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

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

12. Functional Distribution of Operating Expenses

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 5,476,387
Institutional Support	3,583,423
Operation and Maintenance of Plant	2,057,226
Academic Support	1,738,023
Depreciation	1,357,227
Student Services	1,304,803
Scholarships and Waivers	593,260
Auxiliary Enterprises	16,801
Total Operating Expenses	\$ 16,127,150

13. 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 \$5,272,894 as of June 30, 2021. The College also applied and obtained through this local bank the Paycheck Protection Program loan and the revolving line of credit disclosed in Note 7. The Monroe County Market President of the local bank is a member of the College's Board of Trustees.

14. 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	\$ 2,118,873
Accounts Receivable, Net	52,834
Due from Other Funds	109,773
Prepaid Expenses	394,940
TOTAL ASSETS	2,676,420
DEFERRED OUTFLOWS OF RESOURCES	
Other Postemployment Benefits	35,212
Pensions	2,634,745
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,669,957
LIABILITIES	
Current Liabilities:	
Accounts Payable	180,645
Deposits Held in Custody	430
Unearned Revenue	12
Compensated Absences Payable	23,635
Net Pension Liability	22,151
Other Postemployment Benefits Payable	9,456
Total Current Liabilities	236,329
Noncurrent Liabilities:	
Compensated Absences Payable	671,116
Other Postemployment Benefits Payable	177,791
Net Pension Liability	7,851,082
TOTAL LIABILITIES	8,936,318
DEFERRED INFLOWS OF RESOURCES	
Other Postemployment Benefits	23,018
Pensions	354,042
TOTAL DEFERRED INFLOWS OF RESOURCES	377,060
TOTAL NET POSITION	\$ (3,967,001)

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

REVENUES

Operating Revenues:

Student Tuition and Fees, Net of Scholarship	\$	1,541,500
Allowances of \$1,429,228		116,000
Nongovernmental Grants and Contracts		49,355
Auxiliary Enterprises		66,718
Other Operating Revenues		<u>66,718</u>
Total Operating Revenues		<u><u>1,773,573</u></u>

EXPENSES

Operating Expenses:

Personnel Services		9,052,920
Utilities and Communications		564,077
Contractual Services		1,526,982
Other Services and Expenses		800,651
Materials and Supplies		<u>332,211</u>
Total Operating Expenses		<u><u>12,276,841</u></u>
Operating Loss		<u><u>(10,503,268)</u></u>

NONOPERATING REVENUES

State Noncapital Appropriations		8,525,427
Gifts and Grants		83,713
Investment Income		<u>26,077</u>
Nonoperating Revenues		<u><u>8,635,217</u></u>
Loss Before Other Revenues and Transfers		<u><u>(1,868,051)</u></u>

State Capital Appropriations		480
Transfers from Other Funds		<u>1,864,343</u>
Decrease in Net Position		<u><u>(3,228)</u></u>
Net Position, Beginning of Year		<u><u>(3,963,773)</u></u>
Net Position, End of Year	\$	<u><u>(3,967,001)</u></u>

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 12,491	\$ 12,552	\$ 12,823	\$ 13,677
Interest	6,666	5,760	5,562	5,151
Difference between expected and actual experience	-	31,664	-	-
Changes of assumptions or other inputs	(6,635)	(9,648)	(5,083)	(9,005)
Benefit Payments	(6,452)	(15,833)	(25,495)	(23,944)
Net change in total OPEB liability	6,070	24,495	(12,193)	(14,121)
Total OPEB Liability - beginning	181,177	156,682	168,875	182,996
Total OPEB Liability - ending	\$ 187,247	\$ 181,177	\$ 156,682	\$ 168,875
Covered-Employee Payroll	\$5,882,011	\$5,882,011	\$5,279,849	\$5,279,849
Total OPEB Liability as a percentage of covered-employee payroll	3.18%	3.08%	2.97%	3.20%

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

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
College's proportion of the FRS net pension liability	0.013263201%	0.013984289%	0.013907334%	0.013772438%
College's proportionate share of the FRS net pension liability	\$ 5,748,467	\$ 4,815,994	\$ 4,188,961	\$ 4,073,795
College's covered payroll (2)	\$ 6,066,168	\$ 6,101,071	\$ 5,794,859	\$ 5,556,683
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	94.76%	78.94%	72.29%	73.31%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	78.85%	82.61%	84.26%	83.89%

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of College Contributions – Florida Retirement System Pension Plan

	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
Contractually required FRS contribution	\$ 464,984	\$ 440,677	\$ 433,614	\$ 396,348
FRS contributions in relation to the contractually required contribution	<u>(464,984)</u>	<u>(440,677)</u>	<u>(433,614)</u>	<u>(396,348)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 5,844,722	\$ 6,066,168	\$ 6,101,071	\$ 5,794,859
FRS contributions as a percentage of covered payroll	7.96%	7.26%	7.11%	6.84%

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.013635125%	0.013471189%	0.012608178%	0.010386350%
\$ 3,442,880	\$ 1,739,985	\$ 769,284	\$ 1,787,952
\$ 5,308,969	\$ 4,807,070	\$ 4,703,422	\$ 5,559,097
64.85%	36.20%	16.36%	32.16%
84.88%	92.00%	96.09%	88.54%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 358,530	\$ 330,000	\$ 328,439	\$ 276,173
<u>(358,530)</u>	<u>(330,000)</u>	<u>(328,439)</u>	<u>(276,173)</u>
\$ -	\$ -	\$ -	\$ -
\$ 5,556,683	\$ 5,308,969	\$ 4,807,070	\$ 4,703,422
6.45%	6.22%	6.83%	5.87%

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

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
College's proportion of the HIS net pension liability	0.017402080%	0.018188378%	0.017645751%	0.017342620%
College's proportionate share of the HIS net pension liability	\$ 2,124,766	\$ 2,035,097	\$ 1,867,646	\$ 1,854,353
College's covered payroll (2)	\$ 6,066,168	\$ 6,101,071	\$ 5,794,859	\$ 5,556,683
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.03%	33.36%	32.23%	33.37%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	3.00%	2.63%	2.15%	1.64%

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

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

Schedule of College Contributions – Health Insurance Subsidy Pension Plan

	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
Contractually required HIS contribution	\$ 102,704	\$ 100,280	\$ 100,998	\$ 95,693
HIS contributions in relation to the contractually required HIS contribution	<u>(102,704)</u>	<u>(100,280)</u>	<u>(100,998)</u>	<u>(95,693)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 5,844,722	\$ 6,066,168	\$ 6,101,071	\$ 5,794,859
HIS contributions as a percentage of covered payroll	1.76%	1.65%	1.66%	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.

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.017187491%	0.015844871%	0.015826542%	0.017473573%
\$ 2,003,131	\$ 1,615,928	\$ 1,479,820	\$ 1,521,304
\$ 5,308,969	\$ 4,807,070	\$ 4,703,422	\$ 5,559,097
37.73%	33.62%	31.46%	27.37%
0.97%	0.50%	0.99%	1.78%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 91,782	\$ 61,000	\$ 60,569	\$ 54,216
<u>(91,782)</u>	<u>(61,000)</u>	<u>(60,569)</u>	<u>(54,216)</u>
\$ -	\$ -	\$ -	\$ -
\$ 5,556,683	\$ 5,308,969	\$ 4,807,070	\$ 4,703,422
1.65%	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.

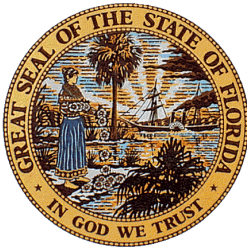
Changes of Assumptions. The Municipal Bond Index Rate used to determine total OPEB Liability decreased from 3.50 percent at the prior measurement date to 2.21 percent at the current measurement date.

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 6.90 percent to 6.80 percent.

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 3.50 percent to 2.21 percent, and the active member mortality assumption was updated.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT 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, 2021, 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 30, 2022, 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*.

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, CPA
Tallahassee, Florida
March 30, 2022

PRIOR AUDIT FOLLOW-UP

The College had taken corrective action for the finding included in our report No. 2021-174.