

MIAMI DADE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2012



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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Dr. Eduardo J. Padrón, President

Notes: (1) Vice Chair position remained vacant from August 1, 2011, through September 22, 2011.
(2) Board member served beyond the end of term, May 31, 2011.
(3) Board member served beyond the end of term, May 31, 2010.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Hector J. Quevedo, CPA, and the audit was supervised by Ramon A. Gonzalez, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the College's` basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

Audit Objectives and Scope

Our audit objectives were to determine whether Miami Dade College and its officers with administrative and stewardship responsibilities for College operations had:

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2012. 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. The results of our operational audit of the College are included in our report No. 2013-075.

Audit Methodology

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



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Miami Dade College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Miami Dade College and of its discretely presented component unit as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Miami Dade College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS 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 required 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 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.

Respectfully submitted,



David W. Martin, CPA
March 20, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

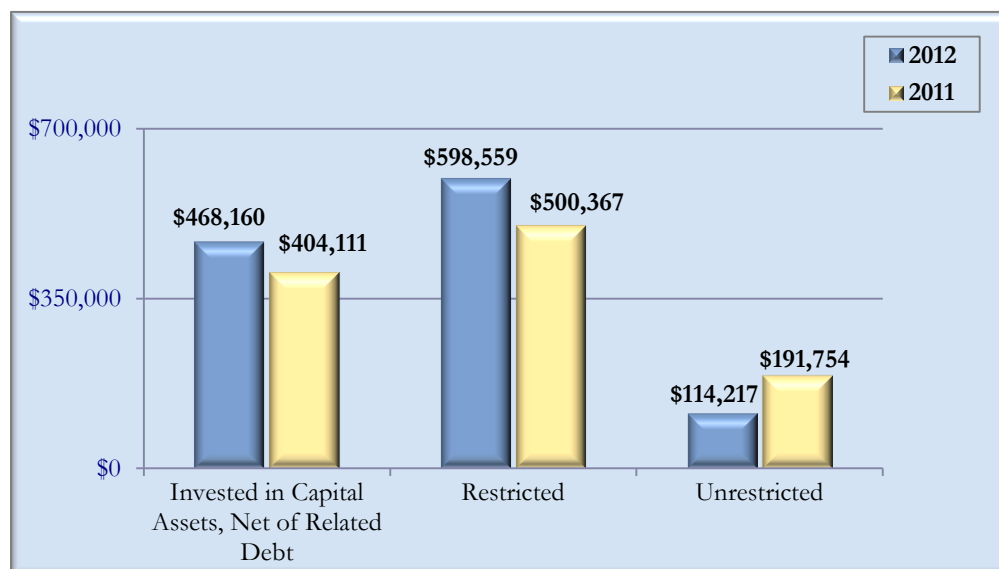
The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2012, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statement Nos. 37 and 38. 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, 2012, and June 30, 2011, and its component unit, the Miami Dade College Foundation, Inc., for the fiscal years ended March 31, 2012, and March 31, 2011.

FINANCIAL HIGHLIGHTS

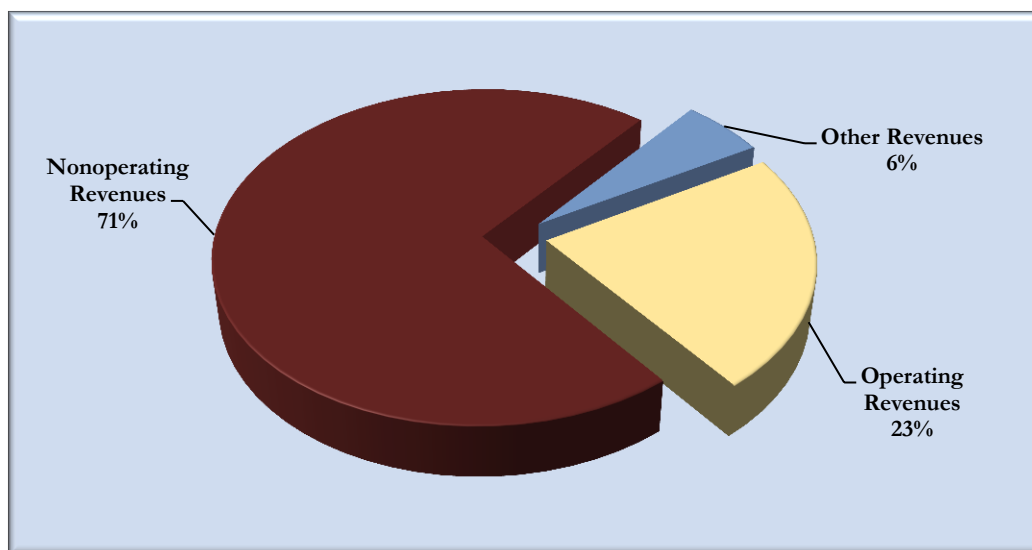
The financial position of the College improved during the fiscal year ended June 30, 2012, as reflected by an \$84.7 million, or 7.7 percent, increase in net assets over the 2010-11 fiscal year. The College's comparative total net assets by category for the fiscal years ended June 30, 2012, and June 30, 2011, are shown in the following graph:

Net Assets: College (In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2011-12 fiscal year:

Total Revenues: College



For the fiscal year ended June 30, 2012, College revenue and other support exceeded expenses, creating an increase in net assets of \$84.7 million (compared to a \$117.2 million increase in the 2010-11 fiscal year). Nonoperating revenues represent 71 percent of total revenues and are primarily comprised of State noncapital appropriations and Federal and State student financial aid with a purpose of supporting operating activities.

OVERVIEW OF FINANCIAL STATEMENTS

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

- Miami Dade College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Miami Dade College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

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

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

These two statements report Miami Dade College's net assets and changes in them. You can think of the College's net assets, the difference between assets and liabilities, as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indication of whether its

financial health is improving or deteriorating. You will need to consider many other nonfinancial factors, such as certain trends, student retention, condition of the buildings, and the safety of the campus, to assess the College's overall financial health.

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

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

**Condensed Statement of Net Assets at
(In Thousands)**

	College		Component Unit	
	6-30-12	6-30-11	3-31-12	3-31-11
Assets				
Current Assets	\$ 188,250	\$ 324,583	\$ 18,584	\$ 9,252
Capital Assets, Net	471,145	408,282		
Other Noncurrent Assets	619,569	470,706	115,898	115,342
Total Assets	<u>1,278,964</u>	<u>1,203,571</u>	<u>134,482</u>	<u>124,594</u>
Liabilities				
Current Liabilities	78,263	86,716	18,595	8,544
Noncurrent Liabilities	19,765	20,623		
Total Liabilities	<u>98,028</u>	<u>107,339</u>	<u>18,595</u>	<u>8,544</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	468,160	404,111		
Restricted	598,559	500,367	111,472	112,399
Unrestricted	114,217	191,754	4,415	3,651
Total Net Assets	<u>\$1,180,936</u>	<u>\$1,096,232</u>	<u>\$115,887</u>	<u>\$116,050</u>
Increase (Decrease) in Net Assets	<u>\$ 84,704</u>	7.7%	<u>\$ (163)</u>	-0.1%

The College's net assets increased by \$84.7 million, or 7.7 percent. Changes in the College's net assets were the result of the following factors:

- Unrestricted net assets decreased \$77.5 million, or 40 percent, mainly from transfers out made to the unexpended plant fund for funding of capital projects.
- Invested in capital assets, net of related debt increased by \$64 million, or 16 percent. This is the result of an increase in capital assets of \$62.9 million and a decrease in capital asset-related debt of \$1.3 million from scheduled payments made during the 2011-12 fiscal year.
- Restricted net assets increased by \$98.2 million, or 19.6 percent, mainly from transfers in received from the current unrestricted funds for funding of capital projects.

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

Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended
(In Thousands)

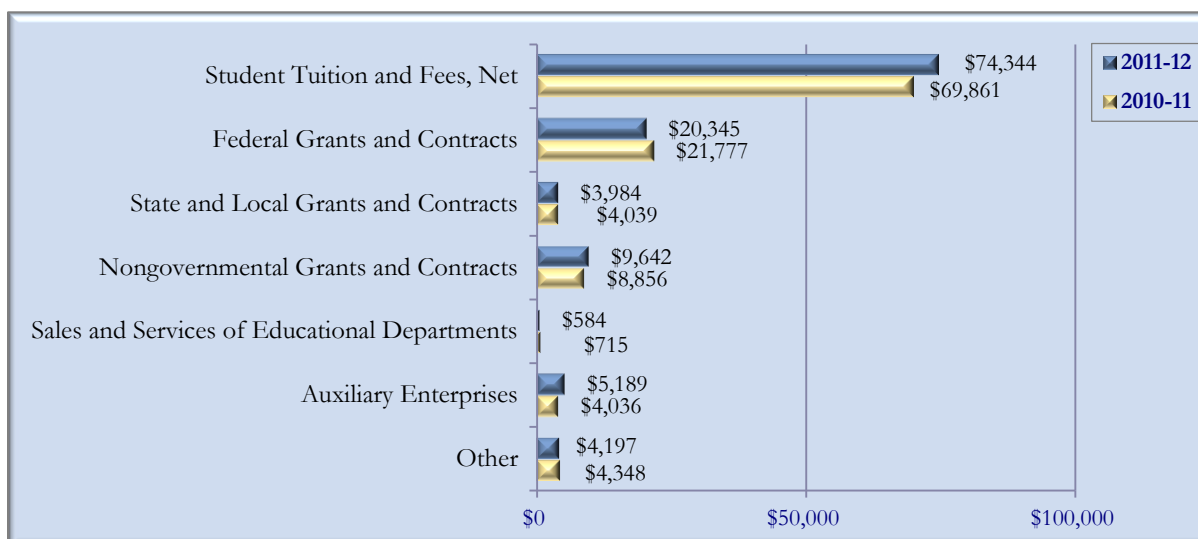
	College		Component Unit	
	6-30-12	6-30-11	3-31-12	3-31-11
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 74,344	\$ 69,861	\$	\$
Federal Grants and Contracts	20,345	21,777		
State and Local Grants and Contracts	3,984	4,039		365
Nongovernmental Grants and Contracts	9,642	8,856		
Sales and Services of Educational Departments	584	715		
Auxiliary Enterprises	5,189	4,036		
Other Operating Revenues	4,197	4,348	11,150	10,259
Total Operating Revenues	118,285	113,632	11,150	10,624
Less, Operating Expenses	437,016	461,341	12,625	11,271
Operating Loss	(318,731)	(347,709)	(1,475)	(647)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	164,083	164,120		
Federal and State Student Financial Aid	195,815	200,149		
Other Nonoperating Revenues	14,409	49,552	1,609	11,913
Nonoperating Expenses	(453)	(261)	(297)	
Net Nonoperating Revenues	373,854	413,560	1,312	11,913
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	55,123	65,851	(163)	11,266
State Capital Appropriations	3,822	31,877		
Capital Grants, Contracts, Gifts, and Fees	25,759	19,433		
Increase (Decrease) in Net Assets	84,704	117,161	(163)	11,266
Net Assets, Beginning of Year	1,096,232	979,071	116,050	104,784
Net Assets, End of Year	\$ 1,180,936	\$ 1,096,232	\$ 115,887	\$ 116,050

Operating Revenues

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

The following chart presents the College's operating revenues for the 2011-12 and 2010-11 fiscal years:

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



Operating revenues of the College increased by \$4.7 million, or 4.1 percent, compared to the 2010-11 fiscal year as a result of the following factors:

- Student tuition and fees, net of scholarship allowances, increased by \$4.5 million, or 6.4 percent, primarily due to an increase in tuition and fee rates during the 2011-12 fiscal year.
- Operating revenues from Federal, State, and local governments decreased by \$1.5 million, or 5.8 percent, primarily due to a decrease in grants and contracts from Federal, State, and local sources versus the 2010-11 fiscal year.
- Revenues from nongovernmental grants and contracts increased by \$786 thousand, or 8.9 percent, primarily due to an increase in nongovernmental grants received during the 2011-12 fiscal year.
- Revenues from auxiliary enterprises increased by \$1.2 million, or 28.6 percent, primarily due to the expansion of the culinary program when compared to the 2010-11 fiscal year.
- Revenues from sales and services of educational departments and other operating revenues remained materially unchanged as compared to the 2010-11 fiscal year.

Operating Expenses

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

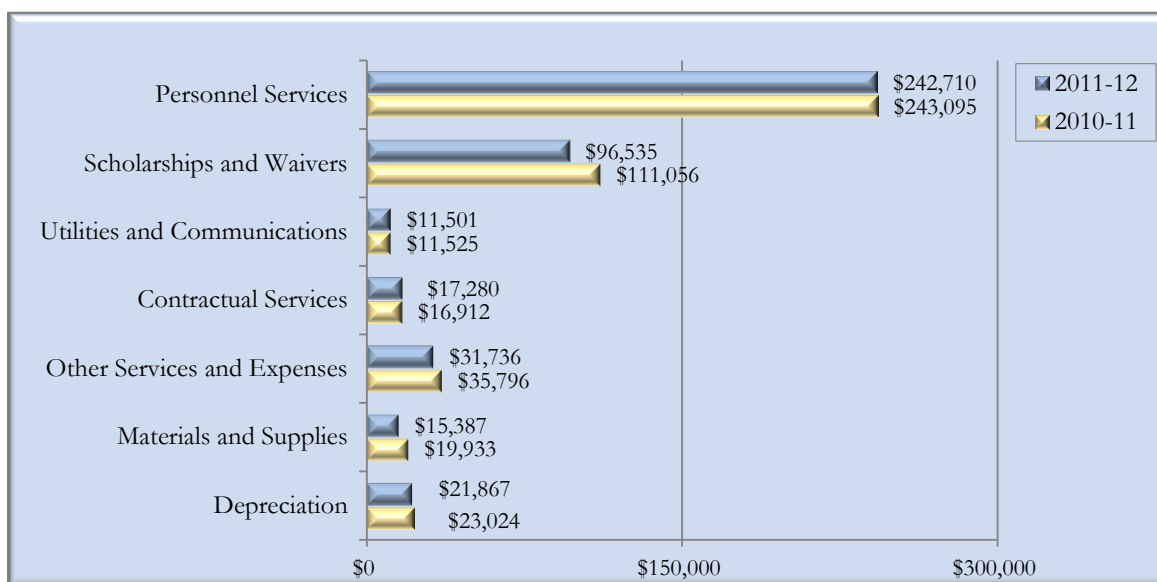
Operating expenses for the College and its component unit for the respective fiscal years ended are presented in the following table:

**Operating Expenses
For the Fiscal Years Ended
(In Thousands)**

	College		Component Unit	
	6-30-12	6-30-11	3-31-12	3-31-11
Operating Expenses				
Personnel Services	\$ 242,710	\$ 243,095	\$ 1,962	\$ 2,161
Scholarships and Waivers	96,535	111,056	6,050	6,077
Utilities and Communications	11,501	11,525		
Contractual Services	17,280	16,912		
Other Services and Expenses	31,736	35,796	4,613	3,033
Materials and Supplies	15,387	19,933		
Depreciation	21,867	23,024		
Total Operating Expenses	\$ 437,016	\$ 461,341	\$ 12,625	\$ 11,271

The following chart presents the College's operating expenses for the 2011-12 and 2010-11 fiscal years:

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



Operating expenses of the College decreased by \$24.3 million, or 5.3 percent, compared to the 2010-11 fiscal year as a result of the following factors:

- Personnel services and utilities and communication expenditures remained materially unchanged when compared to the 2010-11 fiscal year.
- Scholarships and waivers decreased by \$14.5 million, or 13.1 percent, primarily due to a decrease in gross scholarships and waivers of \$3.9 million and an increase of scholarship allowances of \$10.6 million.
- Contractual services remained materially unchanged, primarily due to College efforts to contain costs.
- Materials and supplies expenses and other services and expenses decreased by \$4.5 million, or 22.8 percent, and \$4 million, or 11.3 percent, respectively, primarily due to College efforts to reduce operating costs.
- Depreciation expense decreased by \$1.2 million, or 5 percent.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2011-12 and 2010-11 fiscal years:

Nonoperating Revenues (Expenses): College (In Thousands)

	2011-12	2010-11
State Noncapital Appropriations	\$ 164,083	\$ 164,120
Federal and State Student Financial Aid	195,815	200,149
Gifts and Grants	101	14,251
Investment Income	12,336	11,974
Net Realized and Unrealized Gain	1,861	23,056
Other Nonoperating Revenues	111	271
Interest on Capital Asset-Related Debt	(453)	(261)
Net Nonoperating Revenues	\$ 373,854	\$ 413,560

Net nonoperating revenues decreased by \$39.7 million, or 9.6 percent, compared to the 2010-11 fiscal year. State noncapital appropriations and investment income remained materially unchanged. Federal and State student financial aid decreased by \$4.3 million, or 2.2 percent, primarily due to decreases of \$3.8 million in Federal Pell grant awards, Academic Competitiveness grant awards, and Work Study awards. The decrease in gifts and grants resulted primarily from a reduction of \$14.2 million, or 99.3 percent, in Federal American Recovery and Reinvestment Act (ARRA) funding. Net realized and unrealized gains decreased by \$21.2 million, or 92 percent, primarily as a result of a decrease in the fair market value of investments.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2011-12 and 2010-11 fiscal years:

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

	2011-12	2010-11
State Capital Appropriations	\$ 3,822	\$31,877
Capital Grants, Contracts, Gifts, and Fees	25,759	19,433
Total	\$29,581	\$51,310

Other revenues, expenses, gains, or losses decreased by \$21.7 million, or 42.3 percent, compared to the 2010-11 fiscal year, as result of the following factors:

- State capital appropriations decreased by \$28.1 million, or 88 percent, primarily as a result of a decrease in Public Education Capital Outlay funding.
- Capital grants, contracts, gifts, and fees increased \$6.3 million, or 32.6 percent, primarily due to capital asset donations during the 2011-12 fiscal year.

THE STATEMENT OF CASH FLOWS

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

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

A summary of the College's cash flows for the 2011-12 and 2010-11 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College (In Thousands)

	2011-12	2010-11
Cash Provided (Used) by:		
Operating Activities	\$ (293,975)	\$ (333,537)
Noncapital Financing Activities	363,377	377,721
Capital and Related Financing Activities	(14,381)	24,841
Investing Activities	(1,528)	10,397
Net Increase in Cash and Cash Equivalents	53,493	79,422
Cash and Cash Equivalents, Beginning of Year	379,153	299,731
Cash and Cash Equivalents, End of Year	\$ 432,646	\$ 379,153

The College's liquidity increased during the reporting period. For the purpose of cash flows, cash and cash equivalents consist of cash on hand, cash in demand accounts, and cash invested with the State Board of Administration and the State Treasury.

During the 2011-12 fiscal year, cash and cash equivalents increased by \$53.5 million, when compared to the prior fiscal year. This increase in cash and cash equivalents and a discussion of categories of cash flows are as follows:

- Net cash used for operating activities was \$294 million. Included in the calculation of this total are payments for employee salaries and benefits of \$204.8 million and \$37 million, respectively, payments for scholarships of \$96.5 million, and payments to suppliers of \$64.2 million. These are the four major outflows of operating activities. Primary inflows of operating activities consist of net tuition and fees and grants and contracts, totaling \$77.7 million and \$31.4 million, respectively. Cash used by operating activities decreased by \$39.6 million. This decrease in cash used was primarily the result of a decrease in cash payments for scholarships of \$14.5 million, a decrease in cash payments for loans issued to students of \$5.9 million, a decrease in cash payments to suppliers of \$7.1 million, a decrease in cash payments for benefits to employees of \$9.2 million, an increase in cash provided from tuition and fees of \$11.8 million, an increase in cash provided from auxiliary enterprises of \$1.2 million, which were offset by decreases in cash received from the collection of loans to students of \$4.4 million and in cash received from grants and contracts of \$3 million, and an increase in cash payments to employees of \$1.7 million.
- The net cash provided by noncapital financing activities was \$363.4 million. This amount included State noncapital appropriations in the amount of \$164.1 million, Federal and State student financial aid in the amount of \$197.5 million and Federal direct student loan program receipts in the amount of \$47.7 million which were offset by Federal direct student loan program disbursements in the amount of \$45.9 million. Cash provided from noncapital financing activities decreased by \$14.3 million. This decrease was primarily the result of a decrease in cash received from Federal ARRA funding of \$14.2 million and an increase of

Federal direct student loan program disbursements of \$18 million, which was offset by an increase in Federal direct student loan program receipts of \$21.4 million.

- The net cash used by capital and related financing activities was \$14.4 million. Included in the calculation of this total are purchases of capital assets in the amount of \$77.6 million and the receipt of State capital appropriations and grants and gifts totaling, \$46 million and \$18.6 million, respectively. The purchases of capital assets primarily reflect construction and acquisition of facilities and equipment made during the 2011-12 fiscal year. These are the primary outflows and inflows of capital and related financing activities, respectively. Cash used by capital and related financing activities increased by \$39.2 million. This increase in cash used was primarily due to an increase in the purchase of capital assets of \$37.7 million.
- The net cash used by investing activities was \$1.5 million, which represents an increase in cash used of \$11.9 million from the prior fiscal year. This increase in cash used was the result of a decrease in investment income of \$7.7 million and an increase in the purchase of investments over proceeds from the sales of investments of \$4.2 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the College had \$831.7 million in capital assets, less accumulated depreciation of \$360.5 million, for net capital assets of \$471.1 million. Depreciation charges for the current fiscal year totaled \$21.9 million. The following table summarizes the College's capital assets at June 30:

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

<u>Capital Assets</u>	<u>2012</u>	<u>2011</u>
Land	\$ 96,740	\$ 80,666
Construction in Progress	57,587	20,835
Buildings	589,319	560,889
Other Structures and Improvements	28,750	27,239
Furniture, Machinery, and Equipment	59,298	62,223
Total	<u>831,694</u>	<u>751,852</u>
Less, Accumulated Depreciation:		
Buildings	283,397	265,499
Other Structures and Improvements	24,759	24,025
Furniture, Machinery, and Equipment	52,393	54,046
Total Accumulated Depreciation	<u>360,549</u>	<u>343,570</u>
Capital Assets, Net	<u><u>\$ 471,145</u></u>	<u><u>\$ 408,282</u></u>

The College has \$35.2 million in major construction commitments at June 30, 2012. The commitments are for projects that include classrooms, parking garages and academic support facilities. State capital appropriations together with local funds are expected to finance these projects. More information about the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$2.8 million in long-term debt outstanding versus \$4.2 million at the end of the 2010-11 fiscal year, a decrease of 31.9 percent. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2012, and June 30, 2011:

**Long-Term Debt, at June 30: College
(In Thousands)**

	<u>2012</u>	<u>2011</u>
Installment Purchases Payable	\$	\$ 201
SBE Capital Outlay Bonds	<u>2,840</u>	<u>3,970</u>
Total	<u><u>\$ 2,840</u></u>	<u><u>\$ 4,171</u></u>

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by the College's portion of the State-assessed motor vehicle license tax. More detailed information about the College's long-term liabilities is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Miami Dade College's economic condition is closely tied to that of the State of Florida. While increases in student tuition and fees and interest income are expected to partially offset increased expenditures in the 2012-13 fiscal year, expectations of slight increases of State funding in future years are expected to challenge the College financially in this and future years.

On-going efforts to develop new revenue sources and contain costs have served the College well in its commitment to the growth of educational programs, improved student access, and overall excellence in service to its students and the community. The conservative budgetary stance taken by the College provides the framework for a focused response in support of our educational mission and provides financial stability in the face of limited economic growth and increased demand for State resources.

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 E.H. Levering, Senior Vice Provost of Business Affairs and Chief Financial Officer, Miami Dade College, 11011 S.W. 104th Street, Miami, Florida 33176.

BASIC FINANCIAL STATEMENTS

MIAMI DADE COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS June 30, 2012

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 51,274,818	\$ 2,020,665
Restricted Cash and Cash Equivalents	42,962,298	
Cash Collateral Security Lending	20,901,007	14,906,976
Accounts Receivable, Net	8,557,686	652,600
Notes Receivable, Net	4,931,709	
Due from Other Governmental Agencies	57,052,816	
Due from Component Unit/College	2,321,170	676,987
Inventories	43,396	
Prepaid Expenses	127,931	
Deposits	77,281	
Other Assets		326,701
Total Current Assets	188,250,112	18,583,929
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	338,408,633	24,773,598
Endowment Investments	81,088,801	87,658,315
Restricted Other Investments	111,663,350	
Other Investments	75,809,669	3,466,011
Notes Receivable, Net	12,598,812	
Depreciable Capital Assets, Net	316,818,349	
Nondepreciable Capital Assets	154,327,095	
Total Noncurrent Assets	1,090,714,709	115,897,924
TOTAL ASSETS	\$ 1,278,964,821	\$ 134,481,853
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 5,047,510	\$ 451,483
Salary and Payroll Taxes Payable	19,740,243	
Retainage Payable	2,355,899	
Due to Other Governmental Agencies	491,700	
Due to Component Unit/College	479,408	3,236,569
Deferred Revenue	5,621,910	
Liability for Cash Collateral Security Lending	20,901,007	14,906,976
Long-Term Liabilities - Current Portion:		
Bonds Payable	1,020,000	
Deposits Held for Others	8,563,580	
Compensated Absences Payable	14,042,135	
Total Current Liabilities	78,263,392	18,595,028
Noncurrent Liabilities:		
Bonds Payable	1,820,000	
Deposits Held for Others	5,000	
Compensated Absences Payable	11,231,686	
Other Postemployment Benefits Payable	6,708,336	
Total Noncurrent Liabilities	19,765,022	
TOTAL LIABILITIES	98,028,414	18,595,028

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2012

	<u>College</u>	<u>Component Unit</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 468,160,444	\$
Restricted:		
Nonexpendable:		
Endowment		47,466,136
Expendable:		
Endowment	81,115,367	
Grants and Loans	39,303,365	
Scholarships	3,755,567	64,005,790
Capital Projects	474,309,604	
Debt Service	75,126	
Unrestricted	<u>114,216,934</u>	<u>4,414,899</u>
Total Net Assets	<u>1,180,936,407</u>	<u>115,886,825</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,278,964,821</u>	<u>\$ 134,481,853</u>

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

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2012

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$115,210,603	\$ 74,343,848	\$
Federal Grants and Contracts	20,345,381	
State and Local Grants and Contracts	3,983,767	
Nongovernmental Grants and Contracts	9,642,124	
Sales and Services of Educational Departments	583,898	
Auxiliary Enterprises	5,189,643	
Other Operating Revenues	4,196,816	11,150,433
Total Operating Revenues	<u>118,285,477</u>	<u>11,150,433</u>
EXPENSES		
Operating Expenses:		
Personnel Services	242,710,088	1,961,889
Scholarships and Waivers	96,535,408	6,049,658
Utilities and Communications	11,501,218	
Contractual Services	17,279,847	
Other Services and Expenses	31,735,723	4,613,430
Materials and Supplies	15,387,170	
Depreciation	21,866,553	
Total Operating Expenses	<u>437,016,007</u>	<u>12,624,977</u>
Operating Loss	<u>(318,730,530)</u>	<u>(1,474,544)</u>
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	164,082,616	
Federal and State Student Financial Aid	195,815,470	
Gifts and Grants	101,464	
Investment Income	12,335,780	1,609,085
Net Realized and Unrealized Gain (Loss) on Investments	1,860,609	(297,475)
Other Nonoperating Revenues	110,898	
Interest on Capital Asset-Related Debt	(452,649)	
Net Nonoperating Revenues	<u>373,854,188</u>	<u>1,311,610</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>55,123,658</u>	<u>(162,934)</u>
State Capital Appropriations	3,821,991	
Capital Grants, Contracts, Gifts, and Fees	25,759,101	
Total Other Revenues	<u>29,581,092</u>	
Increase (Decrease) in Net Assets	84,704,750	(162,934)
Net Assets, Beginning of Year	<u>1,096,231,657</u>	<u>116,049,759</u>
Net Assets, End of Year	<u>\$ 1,180,936,407</u>	<u>\$ 115,886,825</u>

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

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012

	<u>College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 77,722,297
Grants and Contracts	31,353,958
Payments to Suppliers	(64,204,699)
Payments for Utilities and Communications	(11,501,218)
Payments to Employees	(204,799,773)
Payments for Employee Benefits	(37,001,237)
Payments for Scholarships	(96,522,155)
Loans Issued to Students	(30,937,160)
Collection on Loans to Students	31,765,958
Auxiliary Enterprises	5,196,488
Sales and Service of Educational Departments	583,898
Other Receipts	4,368,503
Net Cash Used by Operating Activities	<u>(293,975,140)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	164,082,616
Federal and State Student Financial Aid	197,495,565
Federal Direct Loan Program Receipts	47,661,004
Federal Direct Loan Program Disbursements	(45,927,214)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	65,341
Net Cash Provided by Noncapital Financing Activities	<u>363,377,312</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	46,003,681
Capital Grants and Gifts	18,554,636
Proceeds from Sale of Capital Assets	91,442
Purchases of Capital Assets	(77,645,896)
Principal Paid on Capital Debt	(1,185,807)
Interest Paid on Capital Debt	(199,534)
Net Cash Used by Capital and Related Financing Activities	<u>(14,381,478)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	133,606,476
Purchase of Investments	(147,470,827)
Investment Income	12,336,267
Net Cash Used by Investing Activities	<u>(1,528,084)</u>
Net Increase in Cash and Cash Equivalents	53,492,610
Cash and Cash Equivalents, Beginning of Year	<u>379,153,139</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 432,645,749</u></u>

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2012

	<u>College</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (318,730,530)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	21,866,553
Changes in Assets and Liabilities:	
Receivables, Net	(410,622)
Notes Receivable, Net	828,798
Due from Other Governmental Agencies	(2,238,142)
Due from Component Unit	(1,100,894)
Inventories	(2,515)
Prepaid Expenses	7,673
Accounts Payable	200,556
Salaries and Payroll Taxes Payable	506,728
Deferred Revenue	4,127,869
Deposits Held for Others	1,044,281
Due to Other Governmental Agencies	(403,300)
Due to Component Unit	(22,159)
Compensated Absences Payable	(29,888)
Other Postemployment Benefits Payable	380,452
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (293,975,140)</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND	
CAPITAL FINANCING ACTIVITIES	
Unrealized losses on investments were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ (4,149,164)
Losses from the disposal of capital assets were recognized as a reduction of other nonoperating revenues on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ (125,544)
Donations of capital assets were recognized as revenues, at fair market value as of the date of the donations, on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ 7,210,088
The State Board of Education issued \$1,935,000 Capital Outlay Bonds, Series 2011A, to refund \$2,080,000 of Capital Outlay Bonds, Series 2002B. The new debt and defeasance of the old debt were recorded as an increase and a decrease, respectively, to bonds payable on the statement of net assets; however, because the proceeds of the new debt were immediately placed into an irrevocable trust for the defeasance of the 2002B debt the transactions are not cash transactions for the statement of cash flows.	\$ 145,000

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

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Miami Dade College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of seven members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by law and State Board of Education rules. However, the District Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and State Board of Education rules. Geographic boundaries of the District correspond with those of Miami-Dade 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 District Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the District Board of Trustees are such that exclusion would cause the College's financial statements to be misleading or incomplete. Based upon the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2012.

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.

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:

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

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

The College follows GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless FASB pronouncements conflict with GASB pronouncements. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College has the option to elect to apply all pronouncements of FASB issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The College has elected to apply FASB pronouncements issued after November 30, 1989.

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, investment income, and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College identified, within its accounting system, amounts paid for tuition and fees by financial aid. The total amount of these third-party payments is deducted from student tuition and fees.

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 Treasury Special Purpose Investment Account (SPIA) and 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 three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the SPIA and 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.

At June 30, 2012, the College reported as cash equivalents at fair value \$282,517,151 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's and had an effective duration of 2.38 years at June 30, 2012. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2012, the College reported as cash equivalents at fair value \$138,002,285 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, as of June 30, 2012, 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 AA-Am by Standard & Poor's and had a weighted-average days to maturity (WAM) of 38 days as of June 30, 2012. 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 fair value, which is amortized cost.

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Capital Assets. College capital assets consist of land; construction in progress; buildings; other structures and improvements; and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, Educational, Athletic, and Construction and Maintenance Equipment – 5 years
 - Furniture – 7 years

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, deposits held for others, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year.

2. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the State Board of Administration (SBA); interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education (SBE) Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The Board of Trustees also adopted an investment policy for the management of endowment assets and other investments, which include investment objectives, permitted types of securities in which the Board may invest, and evaluation criteria necessary to measure the investment performance of the plan. Additionally, the College's investment policy provides that the goal of the investment program is to provide a real total return from assets

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

invested that will preserve the purchasing power of endowment assets and other investments, while generating an income stream sufficient to support the established spending requirements. Investments are to be related to the short-, mid-, and long-term needs of the College, while considering the probable safety of their capital as well as the probable income to be derived from the investment. For endowment investments, four asset classes are targeted to ensure the proper level of diversification within the fund. These asset classes are domestic equity, international equity, domestic fixed-income, and cash and cash equivalents. For other investments, the highest priority is placed on the safety of the principal. The College's investment policy also provides investment managers with different investment styles (strategies). During the 2011-12 fiscal year, moneys of the Endowment Fund were invested by 12 investment managers, and other investments were invested by 5 investment managers.

Endowment investments and other investments are reported at a fair value of \$81,088,801 and \$187,473,019, respectively. The reporting of endowment investments at fair value resulted in an unrealized loss of \$7,549,731. The reporting of other investments at fair value resulted in an unrealized gain of \$1,390,556.

The College's investments at June 30, 2012, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Corporate Bonds and Notes	\$ 70,151,383
United States Government Obligations	50,212,073
Stocks and Other Equity Securities	45,170,912
Alternative Hedge Funds	40,399,234 (1)
Federal Agency Obligations	35,728,136
International Equities	17,388,934
Money Market Funds	7,012,260
State Board of Administration Fund B	
Surplus Funds Trust Fund	2,423,762
State Board of Administration Debt Service	
Accounts	75,126
Total College Investments	\$ 268,561,820

Note: (1) The value of investments held in this fund involve significant uncertainties and judgments and cannot be determined with precision. Due to the inherent uncertainty of valuation, those estimated values may differ from the value that would have been used had a ready market for these investments existed, and the differences could be material.

The following risks apply to the College's investments other than the SBA Fund B external investment pool:

Interest Rate Risk: Interest Rate Risk is the risk that changing interest rates will adversely affect the fair value of an investment. The College's investment policy for endowment investments, as a means of managing its exposure to fair value losses arising from increasing interest rates, states that investment managers are engaged to reduce the overall volatility of the portfolio and to provide a highly predictable and dependable source of income. It is expected that investments made by the investment managers will be flexibly allocated among maturities of different lengths according to interest rate prospects. The College's investment policy for other investments

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

states that investments shall be made with the same judgment and care, under circumstance then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. At June 30, 2012, the College had investments in debt securities as follows:

College Investment Durations					
Average Durations	Fair Value	Investment Types (1)			
		United States Government Obligations	Federal Agency Obligations	Corporate Bonds and Notes	Money Market
Endowment Investments:					
No More Than 397 Days (2)	\$ 2,473,210	\$	\$	\$	\$2,473,210
1.56 Years	4,459,247	4,459,247			
5.1 Years	4,168,552	802,032	1,444,897	1,921,623	
Other Investments:					
No More Than 397 Days (2)	4,539,050				4,539,050
3.72 Years	42,832,577	12,297,688	10,200,745	20,334,144	
4.4 Years	93,076,926	28,990,049	21,628,289	42,458,588	
5.6 Years	11,554,290	3,663,057	2,454,205	5,437,028	
Total	\$ 163,103,852	\$ 50,212,073	\$ 35,728,136	\$ 70,151,383	\$ 7,012,260

Notes: (1) These investment durations are for debt securities including United States Government Obligations, Federal Agency Obligations, Corporate Bonds and Notes, and Money Market Funds. Interest rate risk disclosure is not required for the other College investments in Equity Securities or Alternative Hedge

(2) The interest rate risk duration for Money Market Funds represent the remaining days to maturity.

Credit Risk: Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. Obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit quality. The College's investment policy for endowment investments provides that each manager's overall portfolio should exhibit at least an investment grade rating by either Moody's or Standard & Poor's. The College's investment policy for other investments states that the weighted average quality rating of the collective funds invested must maintain a rating of AA or higher. At June 30, 2012, the College had investments with quality ratings by nationally recognized rating agencies (i.e., Standard & Poor's) as follows:

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

College Investments Quality Ratings

Investment Type (1)	Fair Value	A+ / A1 / A+	A	AA-	Rating Unavailable
Endowment Investments:					
Corporate Bonds and Notes	\$ 1,921,623	\$	\$	\$ 1,921,623	\$
Federal Agency Obligations	1,144,577			1,144,577	
United States Government Obligations	4,484,783		4,459,247	25,536	
Money Market Funds	480,949				480,949
Other Investments:					
Corporate Bonds and Notes	68,229,760	20,334,144		47,895,616	
Federal Agency Obligations	26,582,040	10,057,007		16,525,033	
United States Government Obligations	7,210,361	5,135,785		2,074,576	
Money Market Funds	4,294,543				4,294,543
Total	\$ 114,348,636	\$ 35,526,936	\$ 4,459,247	\$ 69,586,961	\$ 4,775,492

Note: (1) These credit quality ratings are for Corporate Bonds and Notes, Federal Agency Obligations, United States Government Obligations and Money Market Funds not explicitly guaranteed by the United States Government. Credit risk disclosure is not required for the other College investments.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover that value of investments or collateral securities that are in the possession of an outside party. Investments purchased on behalf of the College pursuant to Section 218.415, Florida Statutes, must be properly earmarked and (1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the College's interest in the security; (2) if in a book-entry form, the investment must be held for the credit of the College by a depository chartered by the Federal Government, the State, or any other State or territory of the United States, that has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States that is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or (3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The College's investments of \$40,399,234 in alternative hedge funds, \$17,388,934 in international equities, \$9,900,131 in stocks and other equity securities, and \$4,459,247 in United States Government Obligations, as well as money market funds totaling \$538,327 are held by the safekeeping agent in the name of the College.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investment in a single issuer. The College's investment policy for endowment investments allows for investment allocations of 40 to 60 percent in domestic equity securities, 5 to 40 percent in international equity securities, and 10 to 30 percent in domestic fixed-income securities. In addition, each domestic fixed-income manager can invest up to 10 percent of its respective portfolio in certain international securities as long as the total international equity securities and international fixed-income securities do not exceed 40 percent of total endowment investments. The College's investment policy for other investments provides that a maximum of

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5 percent may be invested in securities of any single issuer, except for United States Government and United States Government agency securities.

Securities Lending

The College participates in a securities lending program as a means to augment income. This program is managed by the College's custodial bank that serves as a lending agent for the College and receives securities or cash as collateral. The College's securities are transferred to broker-dealers and other entities (borrowers) for collateral with a simultaneous agreement to return the collateral for cash or the same securities in the future.

Securities loans immediately terminate by either the College or its agent, or by the borrower, upon notice and delivery of equivalent securities. Securities lent for collateral received exceeded the fair value of such investments during the period of loan. All borrowers are required to provide additional collateral if the value falls to less than 102 percent of the fair value of securities lent.

The types of securities lent during the year, to lenders domiciled or who reside in the United States, included United States Government Obligations, corporate bonds, and stocks and other equity securities. Asset-backed securities were specifically excluded as allowable collateral securities from the agreement. As of June 30, 2012, the College had loaned certain securities, with fair value of \$20,703,593 and had received cash collateral of \$20,901,007 for the loaned securities. As of June 30, 2012, the College had net investment income of \$42,522 for securities lending transactions.

**Securities Lending -
Investments Lent and Collateral Received (at Fair Value)**

Securities Lent	Fair Value of Underlying Securities	Cash Collateral Investment Value
For Cash Collateral (Endowment):		
Stock and Other Equity Securities	\$ 10,681,637	\$ 10,777,737
For Cash Collateral (Other Investments):		
United States Government Obligations	1,034,612	1,044,544
Corporate Bonds	8,987,344	9,078,726
Total	\$ 20,703,593	\$ 20,901,007

The contract with the College's custodian requires them to indemnify the funds if the borrowers fail to return the securities (and if the collateral is inadequate to replace securities lent) or fail to pay the funds for income distributions by the securities' issuers while the securities are on loan.

Credit Risk: At June 30, 2012, the College had no credit risk exposure to borrowers because the amounts the College owed the borrowers exceeded the amounts the borrowers owed the College.

Custodial Credit Risk: There is no custodial risk exposure associated with the investment of cash received for securities lent. These investments are held in the College's name by the custodial bank as an agent for the College.

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State Board of Administration Fund B Surplus Funds Trust Fund

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

At June 30, 2012, the College reported investments at fair value of \$2,423,762 in Fund B. The College's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. The weighted-average life (WAL) of Fund B at June 30, 2012, was 5.73 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2012. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

State Board of Administration Debt Service Accounts

The College reported investments totaling \$75,126 at June 30, 2012, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Unit Investments

Investments held by the Foundation are composed of Government investment pools, equity and debt securities, fund of funds, Federal agency debt securities, mutual funds, short-term investments, common trust/commingled funds, and private equity funds, and are presented on the financial statements at fair value of \$91,124,326. This includes investments totaling \$31,497,822, the values of which have been estimated by the Foundation, in the absence of readily ascertainable market values. Those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Component Unit Securities Lending

The Foundation participates in a security lending program to optimize investment income. The Foundation loans certain investment securities for short periods of time in exchange for collateral initially equal to at least 102 percent of the fair value of the investment securities on loan. The fair value of the loaned investment securities is monitored on a daily basis, with additional collateral obtained or refunded as the fair value of the loaned investment security fluctuates. The collateral, which may be in the form of cash, letters of credit, or United States government securities, is deposited by the borrower with an independent lending agent. The collateral is recorded as an asset on the Foundation's statements of financial position, along with a liability to reflect the Foundation's obligation to return the collateral. The collateral is invested by the lending agent

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according to the Foundation's investment guidelines. The Foundation does not have access to the collateral unless there is default by the borrower. Loaned securities continue to be carried as investments on the statements of financial position. Earnings on the invested collateral, net of expenses, is recorded as other income in the accompanying statement of activities and changes in net assets.

3. QUASI-ENDOWMENT FUND

Pursuant to a referendum held in September 1992, Miami-Dade County was authorized to exceed the constitutional millage limitation and levy an ad valorem tax of $\frac{3}{4}$ of a mill for a two-year period for the purpose of maintenance, improvement, and expansion of occupational, vocational, and educational programs at the College. The funds generated by this referendum were approximately \$94 million and were invested and deposited in the College's quasi-endowment fund, of which the Board established a maximum annual withdrawal of \$9.5 million for use by the College. At June 30, 2012, the College reported quasi-endowment investments of approximately \$81.1 million.

4. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, returned checks, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$3,056,492 allowance for doubtful accounts.

5. NOTES RECEIVABLE

Notes receivable represent student loans made under the Federal Perkins Loan Program of \$13,773,012, Federal Nursing Student Loan Program of \$48,750, a short-term loan program of \$5,551,646, and an emergency loan program of \$7,332. Notes receivable are reported net of a \$1,850,219 allowance for doubtful notes.

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$42,741,618 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

7. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The \$479,408 reported as due to component unit consists of amounts owed by the College to the Foundation pursuant to an agreement to support the Foundation's operations. The \$2,321,170 due from component unit consists of amounts owed to the College by the Foundation for scholarships and student aid. The College's financial statements are reported for the fiscal year ended June 30, 2012. The College's component unit's financial statements are reported for the fiscal year ended March 31, 2012. Accordingly, amounts reported by the College as due from and to component unit on the statement of net assets do not agree with amounts reported by the component unit as due from and to the College.

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8. INVENTORIES

Inventories consist of items for resale by the Vision Care Clinic, and are valued using the retail method. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

9. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 80,665,675	\$ 16,074,267	\$	\$ 96,739,942
Construction in Progress	20,834,774	42,954,469	6,202,090	57,587,153
Total Nondepreciable Capital Assets	\$ 101,500,449	\$ 59,028,736	\$ 6,202,090	\$ 154,327,095
Depreciable Capital Assets:				
Buildings	\$ 560,889,307	\$ 28,429,942	\$	\$ 589,319,249
Other Structures and Improvements	27,238,757	1,511,650		28,750,407
Furniture, Machinery, and Equipment	62,223,046	2,087,746	5,013,033	59,297,759
Total Depreciable Capital Assets	650,351,110	32,029,338	5,013,033	677,367,415
Less, Accumulated Depreciation:				
Buildings	265,499,108	17,897,553		283,396,661
Other Structures and Improvements	24,024,522	734,705		24,759,227
Furniture, Machinery, and Equipment	54,046,372	3,234,295	4,887,489	52,393,178
Total Accumulated Depreciation	343,570,002	21,866,553	4,887,489	360,549,066
Total Depreciable Capital Assets, Net	\$ 306,781,108	\$ 10,162,785	\$ 125,544	\$ 316,818,349

10. SALARY AND PAYROLL TAXES PAYABLE

Salary and payroll taxes payable as of June 30, 2012, totaled \$19,740,243. This amount includes \$8,247,283 of salary and payroll taxes and banked point liability of \$11,492,960. Under the bank point system, faculty members are allowed to bank overload teaching assignments. The instructor may use the banked points to offset future underloads, provide for additional leave time, or receive payment upon termination.

11. DEFERRED REVENUE

Deferred revenue includes restricted grants and contracts revenue and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2012, the College reported the following amounts as deferred revenue:

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<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 2,411,990
Restricted Grants and Contracts	<u>3,209,920</u>
Total Deferred Revenue	<u>\$ 5,621,910</u>

12. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2012, include bonds payable, deposits held for others, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2012, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable	\$ 3,970,000	\$ 1,935,000	\$ 3,065,000	\$ 2,840,000	\$ 1,020,000
Installment Purchases Payable	200,807		200,807		
Deposits Held for Others	7,524,299	1,044,281		8,568,580	8,563,580
Compensated Absences Payable	25,303,709	14,029,595	14,059,483	25,273,821	14,042,135
Other Postemployment Benefits Payable	<u>6,327,884</u>	<u>1,277,652</u>	<u>897,200</u>	<u>6,708,336</u>	
Total Long-Term Liabilities	<u>\$ 43,326,699</u>	<u>\$ 18,286,528</u>	<u>\$ 18,222,490</u>	<u>\$ 43,390,737</u>	<u>\$ 23,625,715</u>

Bonds Payable. The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2012:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State Board of Education Capital Outlay Bonds:			
Series 2005A	\$ 40,000	5	2016
Series 2005B	755,000	5	2018
Series 2009A	110,000	4 - 5	2019
Series 2011A	<u>1,935,000</u>	4 - 5	2015
Total	<u>\$ 2,840,000</u>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

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Fiscal Year Ending June 30	SBE Capital Outlay Bonds		
	Principal	Interest	Total
2013	\$ 1,020,000	\$ 131,974	\$ 1,151,974
2014	1,080,000	91,000	1,171,000
2015	250,000	37,000	287,000
2016	155,000	24,500	179,500
2017	155,000	16,750	171,750
2018-2019	180,000	10,000	190,000
Total	\$ 2,840,000	\$ 311,224	\$ 3,151,224

On January 5, 2012, the SBE issued \$53,785,000 of SBE Capital Outlay Bonds, Series 2011A. A portion of the bonds was used to advance refund \$28,990,000 of outstanding SBE Capital Outlay Bonds, Series 2002B, that were called for redemption on January 6, 2012. The College's portion of the Series 2011A bonds totaled \$1,935,000 and was used to refund \$2,080,000 of the Series 2002B bonds. As a result of the refunding, the College had a debt service savings of \$158,669 and obtained an economic gain of \$157,303.

Deposits Held for Others. Deposits held for others primarily represent funds on deposit in the Agency Fund, which are derived from fund-raising activities of third parties, such as independent counsels, student groups, and similar clubs. The funds are expended for purposes consistent with and supportive of the objectives of the third party or its members. As of June 30, 2012, the College reported a total liability of \$8,568,580, of which \$8,563,580 is considered a current liability as this amount is expected to be used in the coming fiscal year.

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, 2012, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$25,273,821. The current portion of the compensated absences liability, \$14,042,135, 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. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for other postemployment benefits administered by the College.

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer, defined-benefit plan administered by the College. 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 and hospitalization plan for medical and prescription drug coverage. The College subsidizes the premium rates paid by retirees by allowing them to

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participate in the 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 Plan on average than those of active employees. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees. The benefits provided under this defined-benefit plan are provided for a maximum of seven years or until the retiree reaches age 65, whichever occurs earlier. The premium discount is determined at the time of retirement based on the number of years worked for the College. Additional plan benefits include life, dental, and legal insurance, and are provided to retirees on a full cost basis, without an implicit subsidy. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The College does not issue a stand-alone report and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend Plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 179 retirees received other postemployment benefits (i.e., medical and prescription drugs). While retirees are eligible to participate in additional benefits through the College, these benefits are not subsidized. The College provided required contributions of \$897,200 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$1,730,619.

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

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<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 730,929
Amortization of Unfunded Actuarial Accrued Liability	<u>504,537</u>
Annual Required Contribution	1,235,466
Interest on Net OPEB Obligation	253,115
Adjustment to Annual Required Contribution	<u>(210,929)</u>
Annual OPEB Cost (Expense)	1,277,652
Contribution Toward the OPEB Cost	<u>(897,200)</u>
Increase in Net OPEB Obligation	380,452
Net OPEB Obligation, Beginning of Year	<u>6,327,884</u>
Net OPEB Obligation, End of Year	<u><u>\$ 6,708,336</u></u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2012, and for the two preceding fiscal years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009-10	\$ 2,313,376	31.78%	\$ 5,011,007
2010-11	2,328,049	43.43%	6,327,884
2011-12	1,277,652	70.22%	6,708,336

Funded Status and Funding Progress. As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$15,136,100, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$15,136,100 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$120,726,806 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.54 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2011, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2012, and the College's 2011-12 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 10.5 and 8.5 percent for pre-Medicare and Medicare retirees, respectively, for the 2011-12 fiscal year, and a reduction of between 0.5 and 1 percent per year, to an ultimate rate of 5 percent after six and seven years for Medicare and pre-Medicare retirees respectively. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years on an open basis. The remaining amortization period at June 30, 2012, was 25 years.

13. RETIREMENT PROGRAMS

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight 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 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. Members of both Plans may include up to 4 years of credit for military service toward 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.

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DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in 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.

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. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Senior Management Service	3.00	6.27
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions including employee contributions for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$12,913,677, \$14,170,816, and \$9,841,105, respectively, which were equal to the required contributions for each fiscal year.

There were 516 College participants in the Investment Plan during the 2011-12 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled \$1,843,297, which was equal to the required contribution for the 2011-12 fiscal year.

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

14. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2012, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Kendall Campus:			
Academic Support Center	\$ 27,759,010	\$ 18,133,172	\$ 9,625,838
West Campus:			
Parking Garages	24,276,209	5,025,197	19,251,012
Wolfson Campus:			
Building B Classroom Facility	33,468,007	27,180,490	6,287,517
Total	<u>\$ 85,503,226</u>	<u>\$ 50,338,859</u>	<u>\$ 35,164,367</u>

15. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of \$150 million to February 29 2012, and up to \$90 million from March 1, 2012. Insurance coverage obtained through the Consortium included all property perils, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

Health and hospitalization, life, dental, and long-term disability coverage are provided through purchased commercial insurance.

16. LITIGATION

The College is involved in several pending and threatened legal actions, including the item described on note 18, Subsequent Event. The range of potential loss from all such claims and actions, as estimated by the College's legal counsel and management, should not materially affect the College's financial position.

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

17. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 146,305,210
Public Services	4,045,506
Academic Support	37,841,376
Student Services	28,967,646
Institutional Support	48,353,257
Operation and Maintenance of Plant	44,987,532
Scholarships and Waivers	96,524,234
Depreciation	21,866,553
Auxiliary Enterprises	5,786,490
Loan Operating Expenses	<u>2,338,203</u>
Total Operating Expenses	<u>\$ 437,016,007</u>

18. SUBSEQUENT EVENT

On October 10, 2012, while under construction, the parking garage at the West Campus referred to in note 14, Construction Commitments, suffered a partial collapse, which killed four construction workers, injured others, and brought construction to a halt. College management is unable to make a determination of the outcome of any potential claims or litigation, if any, or the estimated costs that the College may incur as a result of this event. The design builder for the project had obtained insurance policies as required by the construction agreement, which may cover some of the losses caused by this event, if any.

**MIAMI DADE COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS -
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/1/2007	\$	\$ 57,036,378	\$ 57,036,378	0%	\$ 93,458,005	61.03%
1/1/2010		25,584,804	25,584,804	0%	121,423,314	21.07%
7/1/2011		15,136,100	15,136,100	0%	120,726,806	12.54%

Note: (1) The College's OPEB actuarial valuation used the entry-age cost method for the actuarial valuations dated October 1, 2007, and January 1, 2010, and the projected unit credit method for the actuarial valuation dated July 1, 2011, to estimate the actuarial accrued liability.

**MIAMI DADE COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2011, unfunded actuarial accrued liability of \$15,136,100 was \$10,448,704 lower than the January 1, 2010, liability of \$25,584,804. Since the previous valuation, the rates of withdrawal, disability, and mortality have been revised to remain consistent with those used for the Florida Retirement System. The methodology used to develop per capita costs of healthcare, the rates of healthcare inflation used to project the per capita costs, and the rates of participation in the Plan have been revised. Additionally, it has been determined the College has no liability under GASB Statement Nos. 43 and 45 for the life insurance benefit provided to retirees.



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

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

We have audited the financial statements of Miami Dade College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2012, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to College management in our operational audit report No. 2013-075.

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
March 20, 2013