

MIAMI DADE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2013



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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Notes: (1) Board member served beyond the end of their term, May 31, 2013.

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 Kirenía Nieto, 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) 412-2869.

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) 412-2722; 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, 2013. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

Audit Methodology

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.



DAVID W. MARTIN, CPA
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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* in considering the Miami Dade College's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 6, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

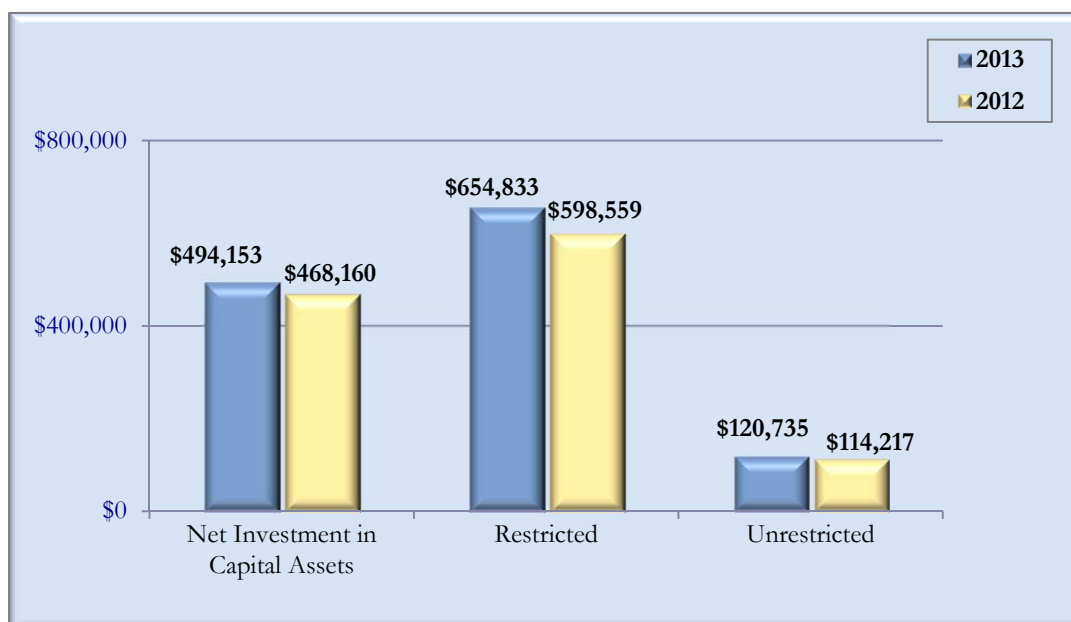
The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2013, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements 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, 2013, and June 30, 2012, and its component unit the Miami Dade College Foundation, Inc., for the fiscal years ended March 31, 2013, and March 31, 2012.

FINANCIAL HIGHLIGHTS

The financial position of the College improved during the fiscal year ended June 30, 2013, as reflected by an \$88.8 million, or 7.5 percent, increase in net position over the 2011-12 fiscal year.

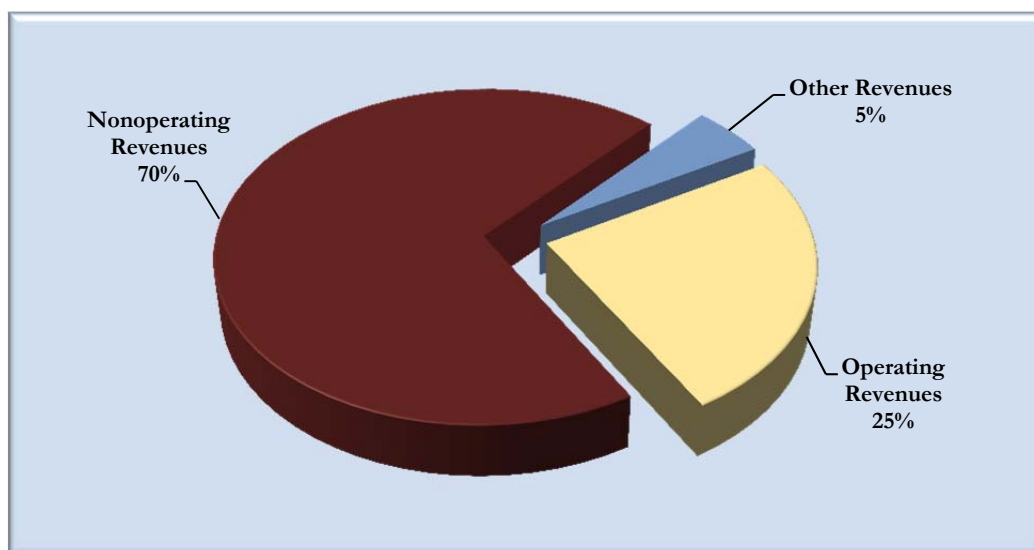
Net position represents the residual interest in the College's assets after deducting liabilities. The College's comparative total net position by category for the fiscal years ended June 30, 2013, and 2012, is shown in the following graph:

**Net Position: College
(In Thousands)**



The following chart provides a graphical presentation of College revenues by category for the 2012-13 fiscal year:

Total Revenues: College



For the fiscal year ended June 30, 2013, College revenue and other support exceeded expenses, creating an increase in net position of \$88.8 million (compared to an \$84.7 million increase in the 2011-12 fiscal year). Nonoperating revenues represent 70 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 position; the statement of revenues, expenses, and changes in net position; 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 POSITION

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 position provides information on the College as a whole and on its activities in a way that helps answer this question.

You can think of the College's net position, 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 position is 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 buildings, and the safety of the campus, to assess the College's overall financial health.

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

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

	College		Component Unit	
	6-30-13	6-30-12	3-31-13	3-31-12
Assets				
Current Assets	\$ 218,246	\$ 188,250	\$ 27,002	\$ 18,584
Capital Assets, Net	495,973	471,145		
Other Noncurrent Assets	678,126	619,569	115,307	115,898
Total Assets	1,392,345	1,278,964	142,309	134,482
Liabilities				
Current Liabilities	103,133	78,263	21,647	18,595
Noncurrent Liabilities	19,491	19,765		
Total Liabilities	122,624	98,028	21,647	18,595
Net Position				
Net Investment in Capital Assets	494,153	468,160		
Restricted	654,833	598,559	116,349	111,472
Unrestricted	120,735	114,217	4,313	4,415
Total Net Position	\$ 1,269,721	\$ 1,180,936	\$120,662	\$115,887

The College's net position increased by \$88.8 million, or 7.5 percent. Changes in the College's net position were the result of the following factors:

- Net investment in capital assets increased by \$26 million, or 5.6 percent, mainly due to the acquisition of capital assets.
- Restricted net position increased by \$56.3 million, or 9.4 percent, mainly from transfers received from the current unrestricted funds for funding the acquisition of capital projects.

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

The statement of revenues, expenses, and changes in net position presents the College's revenue and expense activity, categorized as operating and nonoperating. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as Miami Dade College's operating results. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the activities of the College and its component unit for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-13	6-30-12	3-31-13	3-31-12
Operating Revenues	\$ 132,253	\$ 118,285	\$ 10,393	\$ 11,150
Less, Operating Expenses	442,285	437,016	15,697	12,625
Operating Loss	(310,032)	(318,731)	(5,304)	(1,475)
Net Nonoperating Revenues	372,631	373,854	10,079	1,312
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	62,599	55,123	4,775	(163)
Other Revenues	26,186	29,581		
Net Increase (Decrease) in Net Position	88,785	84,704	4,775	(163)
Net Position, Beginning of Year	1,180,936	1,096,232	115,887	116,050
Net Position, End of Year	\$ 1,269,721	\$ 1,180,936	\$ 120,662	\$ 115,887

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.

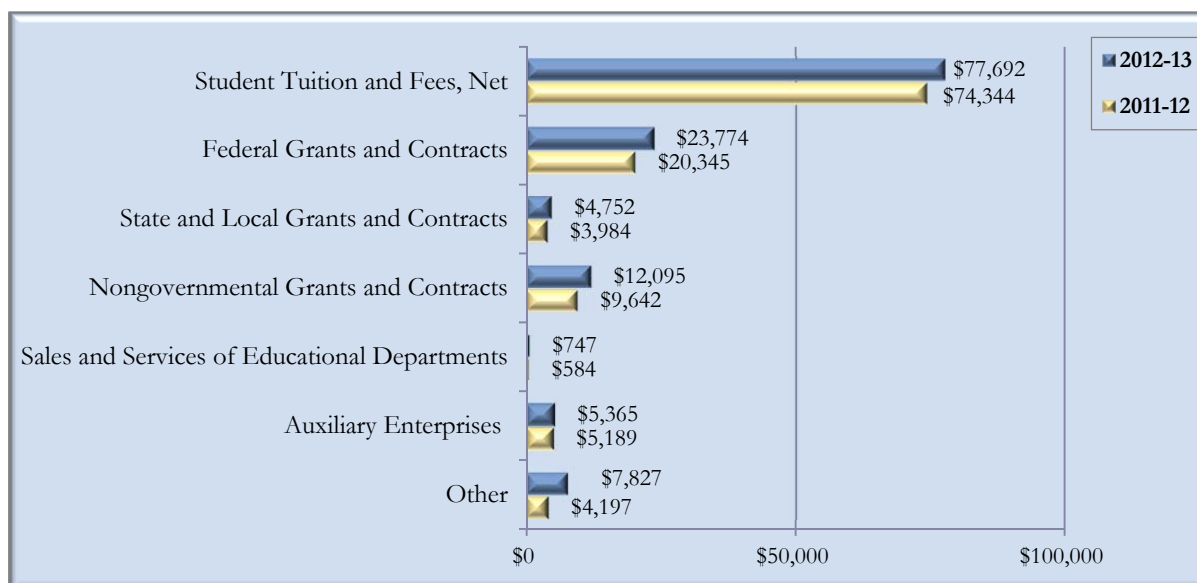
The following presents the operating revenues for the College and its component unit by source that were used to fund operating activities for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-13	6-30-12	3-31-13	3-31-12
Net Tuition and Fees	\$ 77,692	\$ 74,344	\$	\$
Federal Grants and Contracts	23,774	20,345		
State and Local Grants and Contracts	4,752	3,984		
Nongovernmental Grants and Contracts	12,095	9,642		
Sales and Services of Educational Departments	747	584		
Auxiliary Enterprises	5,365	5,189		
Other	7,827	4,197	10,393	11,150
Total Operating Revenues	\$ 132,253	\$ 118,285	\$ 10,393	\$ 11,150

The following chart presents the College's operating revenues for the 2012-13 and 2011-12 fiscal years:

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



Operating revenues of the College increased by \$14 million, or 11.8 percent, compared to the 2011-12 fiscal year as a result of the following factors:

- Student tuition and fees, net of scholarship allowances, increased by \$3.3 million or 4.5 percent, primarily due to an increase in tuition and fee rates during the 2012-13 fiscal year.
- Operating revenues from Federal, State, and local governments increased \$4.2 million, or 17.3 percent, primarily due to an increase in grants and contracts from Federal, State, and local sources over the 2011-12 fiscal year.
- Revenues from nongovernmental grants and contracts increased by \$2.5 million, or 25.4 percent, primarily due to an increase in private contracts and grants received during the 2012-13 fiscal year.
- Revenues from sales and services of educational departments and auxiliary enterprises remained materially unchanged as compared to the 2011-12 fiscal year.
- Other operating revenues increased by \$3.6 million, or 86.5 percent, primarily due to revenues generated from the use of college facilities and the recognition of indirect costs recovered.

Operating Expenses

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

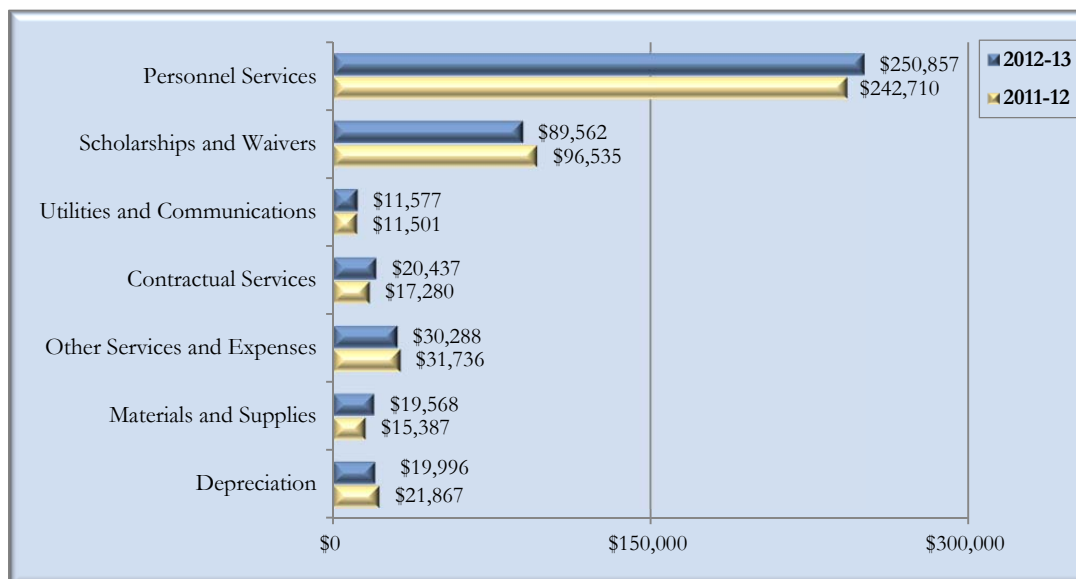
Operating expenses by natural classification for the College and its component unit for the respective fiscal years ended are presented in the following table:

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

	College		Component Unit	
	6-30-13	6-30-12	3-31-13	3-31-12
Personnel Services	\$ 250,857	\$ 242,710	\$ 2,236	\$ 1,962
Scholarships and Waivers	89,562	96,535	7,947	6,050
Utilities and Communications	11,577	11,501		
Contractual Services	20,437	17,280		
Other Services and Expenses	30,288	31,736	5,514	4,613
Materials and Supplies	19,568	15,387		
Depreciation	19,996	21,867		
Total Operating Expenses	\$ 442,285	\$ 437,016	\$ 15,697	\$12,625

The following chart presents the College's operating expenses for the 2012-13 and 2011-12 fiscal years:

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



Operating expenses of the College increased by \$5.3 million, or 1.2 percent, compared to the 2011-12 fiscal year as a result of the following factors:

- Personnel services increased by \$8.1 million, or 3.4 percent, primarily due to an increase in the mandated employer contribution rates for FRS, new positions, associated payroll tax and benefits, and a salary enhancement program.
- Scholarships and waivers decreased by \$7 million, or 7.2 percent, primarily due to a reduction in Federal and State student financial aid awards.
- Utilities and communication expenditures remained materially unchanged when compared to the 2011-12 fiscal year.
- Contractual services increased by \$3.2 million, or 18.3 percent, mainly attributable to the need for additional activities and services.

- Other services and expenses decreased by \$1.4 million, or 4.6 percent, primarily due to College efforts to reduce operating costs.
- Materials and supplies increased by \$4.2 million, or 27.2 percent, primarily due to an increase in activities and programs offered.
- Depreciation expense decreased by \$1.9 million, or 8.6 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, 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 2012-13 and 2011-12 fiscal years:

Nonoperating Revenues (Expenses): College (In Thousands)

	2012-13	2011-12
State Noncapital Appropriations	\$ 166,268	\$ 164,083
Federal and State Student Financial Aid	186,167	195,815
Gifts and Grants		101
Investment Income	11,166	12,336
Net Realized and Unrealized Gain	9,087	1,861
Other Nonoperating Revenues	75	111
Interest on Capital Asset-Related Debt	(132)	(453)
Net Nonoperating Revenues	\$ 372,631	\$ 373,854

Net nonoperating revenues decreased \$1.2 million, or 0.3 percent, compared to the 2011-12 fiscal year, as a result of the following factors:

- State noncapital appropriations increased by \$2.2 million, or 1.3 percent, which was the net effect of a decrease of \$5.2 million in College Program Fund revenues and an increase of \$7.4 million in Lottery revenues.
- Federal and State student financial aid decreased by \$9.6 million, or 4.9 percent, primarily due to a reduction in Federal Pell grant awards.
- Investment income decreased by \$1.2 million, or 9.5 percent; and, net realized and unrealized gains increased by \$7.2 million, or 388.3 percent, primarily as a result of an increase in the fair market value of investments.
- Gifts and grants, other nonoperating revenues, and interest on capital asset-related debt remained materially unchanged.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2012-13 and 2011-12 fiscal years:

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

	2012-13	2011-12
State Capital Appropriations	\$ 2,933	\$ 3,822
Capital Grants, Contracts, Gifts, and Fees	23,253	25,759
Total	\$26,186	\$29,581

Other revenues, expenses, gains, or losses decreased by \$3.4 million, or 11.5 percent, compared to the 2011-12 fiscal year, as a result of the following factors:

- State capital appropriations decreased by \$0.9 million, or 23.3 percent, primarily as a result of a decrease in Public Education Capital Outlay funding.
- Capital grants, contracts, gifts, and fees decreased by \$2.5 million, or 9.7 percent, as there was no capital asset donations during the 2012-13 fiscal year.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections. The 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.

The following summarizes the College's cash flows for the 2012-13 and 2011-12 fiscal years:

Condensed Statement of Cash Flows: College (In Thousands)

	<u>2012-13</u>	<u>2011-12</u>
Cash Provided (Used) by:		
Operating Activities	\$(279,643)	\$(293,975)
Noncapital Financing Activities	350,845	363,377
Capital and Related Financing Activities	655	(14,381)
Investing Activities	<u>4,063</u>	<u>(1,528)</u>
Net Increase in Cash and Cash Equivalents	75,920	53,493
Cash and Cash Equivalents, Beginning of Year	<u>432,646</u>	<u>379,153</u>
Cash and Cash Equivalents, End of Year	<u>\$ 508,566</u>	<u>\$ 432,646</u>

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 2012-13 fiscal year, cash and cash equivalents increased by \$75.9 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 \$279.6 million. Included in the calculation of this total are payments for employee salaries and benefits of \$208.1 million and \$39 million, respectively, payments for scholarships of \$89.6 million, and payments to suppliers of \$69.1 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 \$77.9 million and \$43.3 million, respectively. Cash used by operating activities decreased by \$14.3 million. This decrease in cash used was primarily the result of a decrease in cash payments for scholarships of \$7 million, an increase in cash provided from other receipts of \$5.3 million, and an increase in

cash received from grants and contracts of \$12 million, which was offset by increases in cash payments to suppliers of \$4.9 million, cash payments to employees of \$3.3 million, and cash payments for benefits to employees of \$2 million.

- The net cash provided by noncapital financing activities was \$350.8 million. This amount included State noncapital appropriations in the amount of \$166.3 million, Federal and State student financial aid in the amount of \$186 million, and Federal direct student loan program receipts in the amount of \$50.7 million which were offset by Federal direct student loan program disbursements in the amount of \$52.2 million. Cash provided from noncapital financing activities decreased by \$12.5 million. This decrease was primarily the result of a decrease in cash received from Federal Pell grant funding and other Federal and State student financial aid of \$11.5 million and an increase of Federal direct student loan program disbursements of \$6.3 million, which was offset by an increase in Federal direct student loan program receipts of \$3 million and an increase in State noncapital appropriations of \$2.2 million.
- The net cash provided by capital and related financing activities was \$0.7 million. Included in the calculation of this total are purchases of capital assets in the amount of \$44.7 million and the receipt of State capital appropriations and grants and gifts totaling, \$22.6 million and \$23.8 million, respectively. The purchases of capital assets primarily reflect construction and acquisition of facilities and equipment made during the 2012-13 fiscal year. These are the primary outflows and inflows of capital and related financing activities, respectively. Cash used by capital and related financing activities decreased by \$15 million. This decrease in cash used was primarily due to a decrease in the purchase of capital assets of \$32.9 million and an increase in cash received from capital grants and contracts of \$5.3 million, which was offset by a decrease in State capital appropriations of \$23.4 million.
- The net cash provided by investing activities was \$4.1 million, which represents a decrease of \$5.6 million in cash used for investing activities from the prior fiscal year. This increase in cash provided was the result of a decrease in investment income of \$1.2 million and a decrease in the purchase of investments over proceeds from the sales of investments of \$6.8 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2013, the College had \$875.4 million in capital assets, less accumulated depreciation of \$379.4 million, for net capital assets of \$496 million. Depreciation charges for the current fiscal year totaled \$20 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

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

<u>Capital Assets</u>	<u>2013</u>	<u>2012</u>
Land	\$ 96,740	\$ 96,740
Construction in Progress	68,630	57,587
Buildings	617,315	589,319
Other Structures and Improvements	30,503	28,750
Furniture, Machinery, and Equipment	62,248	59,298
Total	<u>875,436</u>	<u>831,694</u>
Less: Accumulated Depreciation		
Buildings	298,995	283,397
Other Structures and Improvements	25,653	24,759
Furniture, Machinery, and Equipment	54,815	52,393
Total	<u>379,463</u>	<u>360,549</u>
Capital Assets, Net	<u><u>\$ 495,973</u></u>	<u><u>\$ 471,145</u></u>

CAPITAL EXPENSES AND COMMITMENTS

The College has \$53.4 million in major construction commitments at June 30, 2013. 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. The following table summarizes the College's major construction commitments at June 30, 2013:

	<u>Amount</u> <u>(In Thousands)</u>
Total Committed	\$102,917
Completed to Date	<u>(49,518)</u>
Balance Committed	<u><u>\$ 53,399</u></u>

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

DEBT ADMINISTRATION

As of June 30, 2013, the College had \$1.8 million in SBE capital outlay bonds outstanding versus \$2.8 million at the end of the 2011-12 fiscal year, representing a decrease of 35.9 percent.

The 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. During the 2012-13 fiscal year, there were no bond sales and debt repayments totaled \$1 million. More detailed information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. While increases in student tuition and fees and interest income are expected to partially offset increased expenditures in the 2013-14 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 POSITION June 30, 2013

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 52,875,032	\$ 2,834,513
Restricted Cash and Cash Equivalents	74,905,348	300,084
Cash Collateral Securities Lending	33,711,778	17,731,068
Accounts Receivable, Net	8,872,014	5,357,891
Notes Receivable, Net	4,229,794	
Due from Other Governmental Agencies	39,336,115	
Due from Component Unit/College	3,839,306	472,678
Inventories	55,828	
Prepaid Expenses	343,943	
Deposits	77,281	
Other Assets		305,350
Total Current Assets	218,246,439	27,001,584
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	380,785,476	15,100,188
Endowment Investments	94,874,140	88,609,326
Restricted Other Investments	144,314,482	
Other Investments	45,602,349	11,597,578
Notes Receivable, Net	12,549,619	
Depreciable Capital Assets, Net	330,602,928	
Nondepreciable Capital Assets	165,369,928	
Total Noncurrent Assets	1,174,098,922	115,307,092
TOTAL ASSETS	1,392,345,361	142,308,676
LIABILITIES		
Current Liabilities:		
Accounts Payable	6,422,086	541,214
Salary and Payroll Taxes Payable	22,229,323	
Retainage Payable	2,520,378	
Due to Other Governmental Agencies	558,436	
Due to Component Unit/College	469,665	3,074,251
Unearned Revenue	11,406,874	
Liability for Cash Collateral Securities Lending	33,711,778	17,731,068
Long-Term Liabilities - Current Portion:		
Bonds Payable	1,080,000	
Deposits Held for Others	10,374,095	300,084
Compensated Absences Payable	14,360,073	
Total Current Liabilities	103,132,708	21,646,617
Noncurrent Liabilities:		
Bonds Payable	740,000	
Deposits Held for Others	5,000	
Compensated Absences Payable	11,588,740	
Other Postemployment Benefits Payable	7,157,242	
Total Noncurrent Liabilities	19,490,982	
TOTAL LIABILITIES	122,623,690	21,646,617

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2013

	<u>College</u>	<u>Component Unit</u>
NET POSITION		
Net Investment in Capital Assets	\$ 494,152,856	\$
Restricted:		
Nonexpendable:		
Endowment		47,727,434
Expendable:		
Endowment	94,940,566	
Grants and Loans	40,192,867	
Scholarships	3,647,606	68,621,929
Capital Projects	515,997,719	
Debt Service	54,681	
Unrestricted	<u>120,735,376</u>	<u>4,312,696</u>
TOTAL NET POSITION	<u><u>\$ 1,269,721,671</u></u>	<u><u>\$ 120,662,059</u></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 POSITION
For the Fiscal Year Ended June 30, 2013

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$114,993,874	\$ 77,692,440	\$
Federal Grants and Contracts	23,773,644	
State and Local Grants and Contracts	4,752,413	
Nongovernmental Grants and Contracts	12,094,902	
Sales and Services of Educational Departments	746,943	
Auxiliary Enterprises	5,365,404	
Other Operating Revenues	7,827,072	10,392,907
Total Operating Revenues	<u>132,252,818</u>	<u>10,392,907</u>
EXPENSES		
Operating Expenses:		
Personnel Services	250,857,142	2,235,526
Scholarships and Waivers	89,561,900	7,947,481
Utilities and Communications	11,577,432	
Contractual Services	20,436,467	
Other Services and Expenses	30,287,994	5,513,973
Materials and Supplies	19,567,957	
Depreciation	19,996,408	
Total Operating Expenses	<u>442,285,300</u>	<u>15,696,980</u>
Operating Loss	<u>(310,032,482)</u>	<u>(5,304,073)</u>
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	166,268,487	
Federal and State Student Financial Aid	186,167,112	
Investment Income	11,166,477	1,529,418
Net Realized and Unrealized Gain on Investments	9,086,641	8,549,889
Other Nonoperating Revenues	75,249	
Interest on Capital Asset-Related Debt	(131,974)	
Net Nonoperating Revenues	<u>372,631,992</u>	<u>10,079,307</u>
Income Before Other Revenues, Expenses, Gains, or Losses	<u>62,599,510</u>	<u>4,775,234</u>
State Capital Appropriations	2,933,261	
Capital Grants, Contracts, Gifts, and Fees	23,252,493	
Total Other Revenues	<u>26,185,754</u>	
Increase in Net Position	88,785,264	4,775,234
Net Position, Beginning of Year	<u>1,180,936,407</u>	<u>115,886,825</u>
Net Position, End of Year	<u>\$ 1,269,721,671</u>	<u>\$ 120,662,059</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, 2013

	<u>College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 77,940,208
Grants and Contracts	43,326,068
Payments to Suppliers	(69,069,763)
Payments for Utilities and Communications	(11,577,432)
Payments to Employees	(208,101,388)
Payments for Employee Benefits	(39,021,921)
Payments for Scholarships	(89,561,900)
Loans Issued to Students	(30,722,524)
Collection on Loans to Students	31,473,631
Auxiliary Enterprises	5,244,822
Sales and Service of Educational Departments	746,943
Other Receipts	9,679,789
Net Cash Used by Operating Activities	<u>(279,643,467)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	166,268,487
Federal and State Student Financial Aid	186,013,978
Federal Direct Loan Program Receipts	50,699,562
Federal Direct Loan Program Disbursements	(52,179,346)
Other Nonoperating Receipts	42,382
Net Cash Provided by Noncapital Financing Activities	<u>350,845,063</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	22,612,953
Capital Grants and Gifts	23,817,425
Proceeds from Sale of Capital Assets	75,249
Purchases of Capital Assets	(44,698,903)
Principal Paid on Capital Debt	(1,020,000)
Interest Paid on Capital Debt	(131,974)
Net Cash Provided by Capital and Related Financing Activities	<u>654,750</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	128,338,134
Purchase of Investments	(135,441,084)
Investment Income	11,166,711
Net Cash Provided by Investing Activities	<u>4,063,761</u>
Net Increase in Cash and Cash Equivalents	75,920,107
Cash and Cash Equivalents, Beginning of Year	<u>432,645,749</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 508,565,856</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, 2013

	<u>College</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (310,032,482)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	19,996,408
Changes in Assets and Liabilities:	
Accounts Receivable, Net	(314,328)
Notes Receivable, Net	751,108
Due from Other Governmental Agencies	(644,377)
Due from Component Unit	(1,518,134)
Inventories	(12,432)
Prepaid Expenses	(216,012)
Accounts Payable	1,374,576
Salaries and Payroll Taxes Payable	2,489,080
Unearned Revenue	5,491,720
Deposits Held for Others	1,810,515
Due to Other Governmental Agencies	66,736
Due to Component Unit	(9,743)
Compensated Absences Payable	674,992
Other Postemployment Benefits Payable	448,906
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (279,643,467)</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND	
CAPITAL FINANCING ACTIVITIES	
Unrealized gains on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 5,300,680

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, 2013

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. 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), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

The 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, 2013.

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

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

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 follows GASB standards of accounting and financial reporting.

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.

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

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

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 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 State Treasury Special Purpose Investment Account (SPIA) and State Board of Administration (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, 2013, the College reported as cash equivalents at fair value \$281,922,891 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, had an effective duration of 2.65 years, and had a fair value factor of 0.9975 at June 30, 2013. 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, 2013, the College reported as cash equivalents \$211,956,251 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, 2013, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 40 days as of June 30, 2013. 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.

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

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 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,

**MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

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 2012-13 fiscal year, moneys of the Endowment Fund were invested by 11 investment managers, and other investments were invested by 4 investment managers.

Endowment investments and other investments are reported at a fair value of \$94,874,140 and \$189,916,831, respectively. The reporting of endowment investments at fair value resulted in an unrealized gain of \$14,698,025. The reporting of other investments at fair value resulted in an unrealized loss of \$4,140,573.

The College's investments at June 30, 2013, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Domestic Corporate Bonds and Notes	\$ 59,180,446
Alternative Hedge Funds	53,242,963 (1)
Domestic Stocks and Other Equity Securities	41,189,960
Federal Agency Obligations	34,449,170
United States Government Obligations	34,390,604
International Equities	22,314,384
Money Market Funds	17,120,453
International Corporate Bonds and Notes	15,469,759
International Government Obligations	5,833,750
State Board of Administration Fund B	
Surplus Funds Trust Fund	1,544,801
State Board of Administration Debt Service	
Accounts	<u>54,681</u>
Total College Investments	<u>\$ 284,790,971</u>

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:

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 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, 2013, the College had investments in debt securities as follows:

College Investment Durations							
Average Durations	Fair Value	Investment Types (1)					
		United States Government Obligations	International Government Obligations	Federal Agency Obligations	Domestic Corporate Bonds and Notes	International Corporate Bonds and Notes	Money Market
Endowment Investments:							
No More Than 397 Days (2)	\$ 2,660,611	\$	\$	\$	\$	\$	\$ 2,660,611
1.56 Years	5,528,263		5,528,263				
5.8 Years	4,992,307	789,116		1,808,800	1,694,934	699,457	
Other Investments:							
No More Than 397 Days (2)	14,459,842						14,459,842
3.77 Years	42,018,591	11,865,454	305,487	7,789,267	18,243,302	3,815,081	
3.9 Years	85,007,258	18,680,041		21,155,511	35,269,099	9,902,607	
5.8 Years	11,777,310	3,055,993		3,695,592	3,973,111	1,052,614	
Total	\$ 166,444,182.00	\$ 34,390,604.00	\$ 5,833,750.00	\$ 34,449,170.00	\$ 59,180,446.00	\$ 15,469,759.00	\$ 17,120,453.00

Notes: (1) These duration investments are for debt securities including United States and International Government Obligations, Federal Agency Obligations, Domestic and International 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 Funds.

(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, 2013, 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, 2013

Investment Type (1)	College Investments Quality Rating					Rating Unavailable
	Fair Value	AA-/Aa3/AA-	A+	A	AA-	
Endowment Investments:						
Domestic Corporate Bonds and Notes	\$ 1,694,934	\$	\$ 1,694,934	\$	\$	\$
International Corporate Bonds and Notes	699,457		699,457			
Federal Agency Obligations	1,599,019		1,599,019			
United States Government Obligations						
International Government Obligations	5,528,263			5,528,263		
Money Market Funds	387,883					387,883
Other Investments:						
Domestic Corporate Bonds and Notes	57,485,512	18,243,302			39,242,210	
International Corporate Bonds and Notes	14,770,302	3,815,081			10,955,221	
Federal Agency Obligations	27,028,932	7,713,476			19,315,456	
United States Government Obligations	4,962,147	4,962,147				
International Government Obligations	305,487	305,487				
Money Market Funds	14,459,842					14,459,842
Total	\$ 128,921,778	\$ 35,039,493	\$ 3,993,410	\$ 5,528,263	\$ 69,512,887	\$ 14,847,725

NOTE: (1) These credit quality ratings are for Domestic and International Corporate Bonds and Notes, Federal Agency Obligations, United States and International 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 \$53,242,963 in alternative hedge funds, \$11,411,306 in domestic stock and equities, \$21,748,445 in international equities, \$5,528,263 in international government obligations, as well as money market funds totaling \$452,888 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, 2013, the College had loaned certain securities, with fair value of \$32,877,520 and had received cash collateral of \$33,711,778 for the loaned securities. As of June 30, 2013, the College had net investment income of \$45,498 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):		
Corporate Bonds	\$ 393,258	\$ 402,468
United States Government Obligations	564,637	576,097
Stock and Other Equity Securities	12,502,184	12,827,444
For Cash Collateral (Other Investments):		
United States Government Obligations	7,560,055	7,750,806
Corporate Bonds	<u>11,857,386</u>	<u>12,154,963</u>
Total	<u><u>\$ 32,877,520</u></u>	<u><u>\$ 33,711,778</u></u>

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, 2013, 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, 2013, the College reported investments at fair value of \$1,544,801 for amounts held in Fund B. The College's investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.11845939 at June 30, 2013. The weighted-average life (WAL) of Fund B at June 30, 2013, was 3.98 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, 2013. 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 \$54,681 at June 30, 2013, 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, and private equity funds, and are presented on the financial statements at fair value of \$100,206,904. This includes investments totaling \$33,366,058, 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 component unit's statement of activities.

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, 2013, the College reported quasi-endowment investments of approximately \$94.9 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 \$2,767,619 allowance for doubtful accounts.

5. NOTES RECEIVABLE

Notes receivable represent student loans made under the Federal Perkins Loan Program of \$13,739,108, Federal Nursing Student Loan Program of \$46,257, a short-term loan program of \$4,515,399, and an emergency loan program of \$7,332. Notes receivable are reported net of a \$1,528,683 allowance for doubtful notes.

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$22,374,623 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

7. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The \$469,665 reported as due to component unit consists of amounts owed by the College to the Miami Dade College Foundation, Inc. (Foundation), pursuant to an agreement to support the Foundation's operations. The \$3,839,306 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, 2013. The College's component unit's financial statements are reported for the fiscal year ended March 31, 2013. Accordingly, amounts reported by the College as due from and to component unit on the statement of net position 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, 2013, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 96,739,942	\$	\$	\$ 96,739,942
Construction in Progress	57,587,153	31,197,260	20,154,427	68,629,986
Total Nondepreciable Capital Assets	\$ 154,327,095	\$ 31,197,260	\$ 20,154,427	\$ 165,369,928
Depreciable Capital Assets:				
Buildings	\$ 589,319,249	\$ 27,996,255	\$	\$ 617,315,504
Other Structures and Improvements	28,750,407	1,752,251		30,502,658
Furniture, Machinery, and Equipment	59,297,759	4,032,481	1,082,050	62,248,190
Total Depreciable Capital Assets	677,367,415	33,780,987	1,082,050	710,066,352
Less, Accumulated Depreciation:				
Buildings	283,396,661	15,598,443		298,995,104
Other Structures and Improvements	24,759,227	894,335		25,653,562
Furniture, Machinery, and Equipment	52,393,178	3,503,630	1,082,050	54,814,758
Total Accumulated Depreciation	360,549,066	19,996,408	1,082,050	379,463,424
Total Depreciable Capital Assets, Net	\$ 316,818,349	\$ 13,784,579	\$	\$ 330,602,928

10. SALARY AND PAYROLL TAXES PAYABLE

Salary and payroll taxes payable as of June 30, 2013, totaled \$22,229,323. This amount includes \$10,323,593 of salary and payroll taxes and banked point liability of \$11,905,730. 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. UNEARNED REVENUE

Unearned revenue includes restricted grants and contracts revenue and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. Restricted grants and contracts primarily consist of private donations designated for scholarships. As of June 30, 2013, the College reported the following amounts as unearned revenue:

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<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 718,625
Restricted Grants and Contracts	<u>10,688,249</u>
Total Unearned Revenue	<u>\$ 11,406,874</u>

12. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2013, 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, 2013, 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	\$ 2,840,000	\$	\$ 1,020,000	\$ 1,820,000	\$ 1,080,000
Deposits Held for Others	8,568,580	489,464,369	487,653,854	10,379,095	10,374,095
Compensated Absences Payable	25,273,821	14,661,483	13,986,491	25,948,813	14,360,073
Other Postemployment Benefits Payable	6,708,336	1,325,153	876,247	7,157,242	
Total Long-Term Liabilities	<u>\$ 43,390,737</u>	<u>\$ 505,451,005</u>	<u>\$ 503,536,592</u>	<u>\$ 45,305,150</u>	<u>\$ 25,814,168</u>

Bonds Payable. The State Board of Education (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 State Board of Administration (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, 2013:

<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	\$ 30,000	5	2016
Series 2010B	650,000	5	2018
Series 2009A	95,000	5	2019
Series 2011A	<u>1,045,000</u>	5	2015
Total	<u>\$ 1,820,000</u>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

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Fiscal Year Ending June 30	SBE Capital Outlay Bonds		
	Principal	Interest	Total
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	160,000	9,000	169,000
2019	20,000	1,000	21,000
Total	\$ 1,820,000	\$ 179,250	\$ 1,999,250

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 councils, 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, 2013, the College reported a total liability of \$10,379,095, of which \$10,374,095 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, 2013, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$25,948,813. The current portion of the compensated absences liability, \$14,360,073, 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 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

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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's 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 2012-13 fiscal year, 167 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 \$876,247 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 \$1,543,850, which represents 1.15 percent of covered payroll.

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:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 760,166
Amortization of Unfunded Actuarial Accrued Liability	<u>520,265</u>
Annual Required Contribution	1,280,431
Interest on Net OPEB Obligation	268,333
Adjustment to Annual Required Contribution	<u>(223,611)</u>
Annual OPEB Cost (Expense)	1,325,153
Contribution Toward the OPEB Cost	<u>(876,247)</u>
Increase in Net OPEB Obligation	448,906
Net OPEB Obligation, Beginning of Year	<u>6,708,336</u>
Net OPEB Obligation, End of Year	<u><u>\$ 7,157,242</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, 2013, and for the two preceding fiscal years were as follows:

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Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<u> </u>	<u> </u>	<u> </u>	<u> </u>
2010-11	\$ 2,328,049	43.43%	\$ 6,327,884
2011-12	1,277,652	70.22%	6,708,336
2012-13	1,325,153	66.12%	7,157,242

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 \$133,810,086 for the 2012-13 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.31 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.

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 actuarial method to estimate the actuarial accrued liability as of June 30, 2013, and the College's 2012-13 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, an inflation rate of 3 percent, and an annual healthcare cost trend rate of 9.5 percent pre-Medicare and 7.5 percent Medicare for the 2012-13 fiscal year, and a reduction of between 0.5 and 1 percent per year, to an ultimate rate of 5 percent after six years pre-Medicare and five years Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2013, was 24 years.

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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), with 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.

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 2012-13 fiscal year were as follows:

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Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	5.18
Florida Retirement System, Senior Management Service	3.00	6.30
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	5.44
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, 2011, June 30, 2012, and June 30, 2013, totaled \$14,170,816, \$9,841,105, and \$10,486,114, respectively, which were equal to the required contributions for each fiscal year.

There were 533 College participants in the Investment Plan during the 2012-13 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled \$2,034,418, which was equal to the required contribution for the 2012-13 fiscal year.

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, 2013, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Hialeah Campus:			
Parking Garage	\$ 20,280,231	\$ 927,678	\$ 19,352,553
Building 1 Remodeling/Renovation	24,629,531	4,086,094	20,543,437
West Campus:			
Parking Garages	24,470,082	13,258,720	11,211,362
Wolfson Campus:			
Building 8 Classroom Facility	33,537,440	31,245,480	2,291,960
Total	\$ 102,917,284	\$ 49,517,972	\$ 53,399,312

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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 up to \$90 million to February 28, 2013, and up to \$125 million from March 1, 2013. Insurance coverage obtained through the Consortium included fire and extended property, 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. 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.

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 position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 146,431,243
Public Services	4,219,873
Academic Support	41,421,848
Student Services	31,500,215
Institutional Support	50,071,315
Operation and Maintenance of Plant	47,909,632
Scholarships and Waivers	89,561,900
Depreciation	19,996,408
Auxiliary Enterprises	9,174,553
Loan Operating Expenses	<u>1,998,313</u>
Total Operating Expenses	<u>\$ 442,285,300</u>

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

18. CURRENT UNRESTRICTED FUNDS

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

Statement of Current Unrestricted Funds Net Position

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 52,873,974
Cash Collateral Security Lending	19,905,769
Accounts Receivable, Net	8,093,798
Due from Other Governmental Agencies	2,838,349
Due from Component Unit	1,390,371
Due from Other Funds	70,786,200
Inventories	55,828
Prepaid Expenses	134,541
Deposits	77,281

Total Current Assets	156,156,111
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NonCurrent Assets:

Other Investments	45,602,349
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TOTAL ASSETS	201,758,460
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LIABILITIES

Current Liabilities:

Accounts Payable	5,215,548
Salary and Payroll Taxes Payable	21,809,696
Due to Other Governmental Agencies	267,391
Unearned Revenue	718,625
Liability for Cash Collateral Security Lending	19,905,769
Compensated Absences Payable	14,360,073
Total Current Liabilities	62,277,102

Noncurrent Liabilities:

Compensated Absences Payable	11,588,740
Other Postemployment Benefits Payable	7,157,242
Total Noncurrent Liabilities	18,745,982

TOTAL LIABILITIES	81,023,084
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TOTAL NET POSITION	\$ 120,735,376
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MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

REVENUES

Operating Revenues:

Student Tuition and Fees, Net of Scholarship Allowances of \$103,017,169	\$ 69,600,710
Federal Grants and Contracts	1,433,271
State and Local Grants and Contracts	2,808,605
Nongovernmental Grants and Contracts	2,576,978
Sales and Services of Educational Departments	746,943
Auxiliary Enterprises	5,365,404
Other Operating Revenues	<u>6,209,137</u>

Total Operating Revenues 88,741,048

EXPENSES

Operating Expenses:

Personnel Services	225,243,260
Scholarships and Waivers	805,918
Utilities and Communications	11,548,670
Contractual Services	15,168,848
Other Services and Expenses	21,486,475
Materials and Supplies	<u>12,551,736</u>

Total Operating Expenses 286,804,907

Operating Loss (198,063,859)

NONOPERATING REVENUES

State Noncapital Appropriations	166,268,487
Investment Income	563,530
Other Nonoperating Revenues	<u>75,249</u>

Net Nonoperating Revenues 166,907,266

**Loss Before Other Revenues,
Expenses, Gains, or Losses**

	(31,156,593)
Transfers From Other Funds, Net	30,370,624
State Capital Appropriations	31,032
Capital Grants, Contracts, Gifts, and Fees	<u>7,273,379</u>

Increase in Net Position 6,518,442
Net Position, Beginning of Year 114,216,934

Net Position, End of Year \$ 120,735,376

**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*

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 6, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free 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*.

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 6, 2014