

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

**MIAMI DADE COLLEGE**

For the Fiscal Year Ended  
June 30, 2015



Sherrill F. Norman, CPA  
Auditor General

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The team leader was Kirenia Nieto and the audit was supervised by Hector J. Quevedo, CPA.

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

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**MIAMI DADE COLLEGE**  
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# SUMMARY

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## SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Miami Dade College (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

## SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

## AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether 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, 2015. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College will be presented in a separate report.

## 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.



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of 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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit's columns. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Miami Dade College and of its discretely presented component unit as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Notes 2 and 3 to the financial statements, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

### ***Other Matter***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, Schedule of Funding Progress – Other Postemployment Benefits Plan, Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan, Schedule of College Contributions – Florida Retirement System Pension Plan, Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan, Schedule of College Contributions – Health Insurance Subsidy Pension Plan, and Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 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 the 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 Miami Dade College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 28, 2016

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

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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, 2015, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2015, and June 30, 2014, and its component unit, the Miami Dade College Foundation, Inc. for the fiscal years ended March 31, 2015, and March 31, 2014.

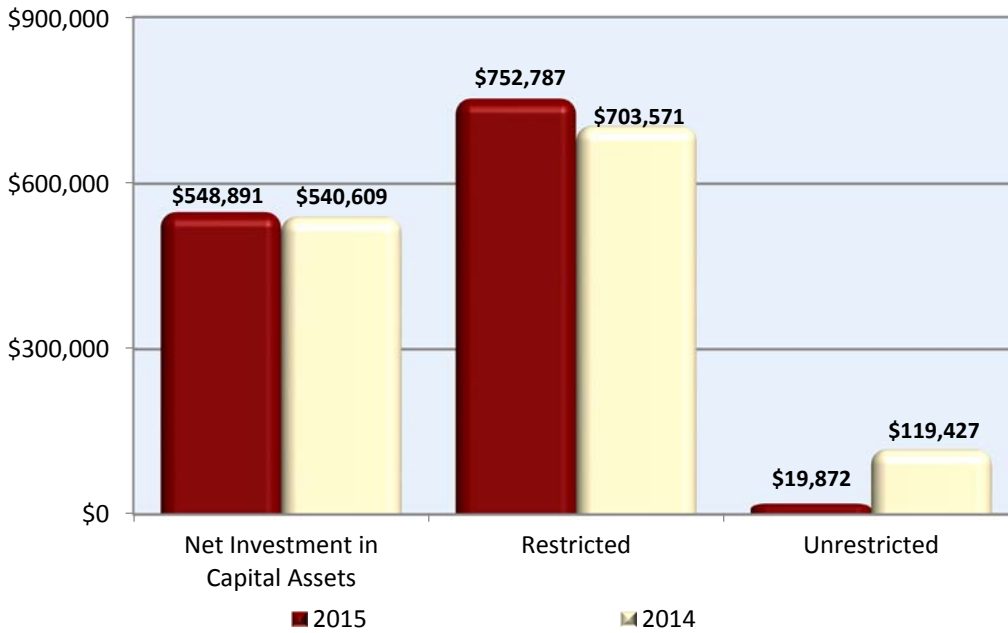
### **FINANCIAL HIGHLIGHTS**

The College's assets totaled \$1.6 billion at June 30, 2015. This balance reflects a \$49.3 million, or 3.3 percent, increase as compared to the 2013-14 fiscal year, resulting primarily from increases in restricted and unrestricted cash and cash equivalents of \$45.8 million. Total liabilities increased by \$70.8 million, or 51.5 percent, totaling \$208.2 million at June 30, 2015, compared to \$137.4 million at June 30, 2014. The increase was primarily the result of the implementation of Governmental Accounting Standard Board (GASB) Statement No. 68, whereby the College recognized a net pension liability for its obligation to pay future pension benefits already earned by its employees. Also, the adoption of GASB Statement No. 68 resulted in the recognition of deferred outflows and inflows of resources related to pensions, further reducing net position by \$20.6 million. As a result, the College's net position decreased by \$42.1 million, resulting in a year-end balance of \$1.3 billion.

The College's operating revenues totaled \$137.3 million for the 2014-15 fiscal year, representing an increase of \$11.1 million or 8.8 percent compared to the 2013-14 fiscal year due mainly to increases in student tuition and fees as well as Federal, local, and nongovernmental grants and contracts. 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. Operating expenses totaled \$493.6 million for the 2014-15 fiscal year, representing an increase of 6.8 percent as compared to the 2013-14 fiscal year due mainly to increases in personnel and contractual services, and other services and expenses, as a result of the salary increases and the close out of a parking garage, respectively.

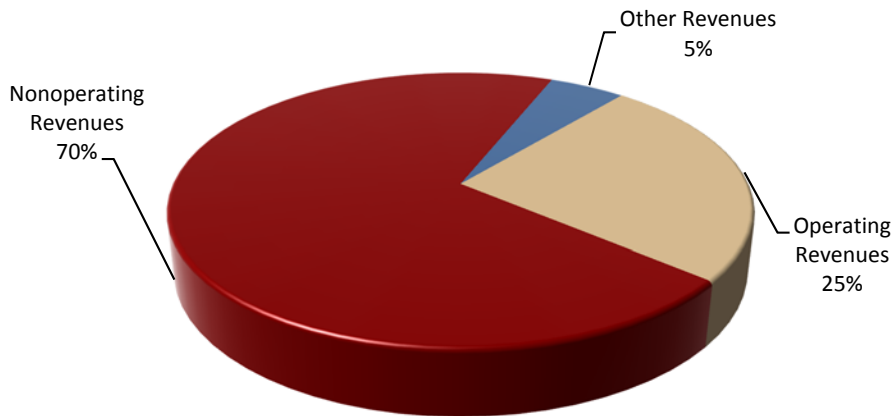
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2015, and June 30, 2014, is shown in the following graph:

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



The following chart provides a graphical presentation of College revenues by category for the 2014-15 fiscal year:

**Total Revenues: College**



**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. The financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College’s finances, and include 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.

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

A condensed statement of assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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)**

	<b>College</b>		<b>Component Unit</b>	
	<b>6-30-15</b>	<b>6-30-14</b>	<b>3-31-15</b>	<b>3-31-14</b>
<b>Assets</b>				
Current Assets	\$ 206,881	\$ 205,787	\$ 41,281	\$ 29,140
Capital Assets, Net	549,351	541,349	-	-
Other Noncurrent Assets	794,136	753,903	121,815	119,957
<b>Total Assets</b>	<b>1,550,368</b>	<b>1,501,039</b>	<b>163,096</b>	<b>149,097</b>
<b>Deferred Outflows of Resources</b>	<b>25,063</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>				
Current Liabilities	109,597	116,083	30,491	23,575
Noncurrent Liabilities	98,643	21,349	-	-
<b>Total Liabilities</b>	<b>208,240</b>	<b>137,432</b>	<b>30,491</b>	<b>23,575</b>
<b>Deferred Inflows of Resources</b>	<b>45,641</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>				
Net Investment in Capital Assets	548,891	540,609	-	-
Restricted	752,787	703,571	128,435	121,476
Unrestricted	19,872	119,427	4,170	4,046
<b>Total Net Position</b>	<b>\$ 1,321,550</b>	<b>\$ 1,363,607</b>	<b>\$ 132,605</b>	<b>\$ 125,522</b>

The College's net position decreased by \$42.1 million, or 3.1 percent. Changes in the College's net position were the result of the following factors:

- Net investment in capital assets increased by \$8.3 million, or 1.5 percent, mainly due to the acquisition of capital assets.
- Restricted net position increased by \$49.2 million, or 7 percent, mainly from transfers received from the current unrestricted funds for funding construction of capital projects.
- Unrestricted net position decreased by \$99.6 million, or 83.4 percent, mainly caused by the recognition of a net pension liability due to the implementation of GASB Statement No. 68.

**The Statement of Revenues, Expenses, and Changes in Net Position**

The statement of revenues, expenses, and changes in net position presents the College's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

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

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

(In Thousands)

	College		Component Unit	
	6-30-15	6-30-14	3-31-15	3-31-14
Operating Revenues	\$ 137,265	\$ 126,121	\$ 14,078	\$ 5,012
Less, Operating Expenses	493,579	461,992	13,303	15,156
<b>Operating Income (Loss)</b>	(356,314)	(335,871)	775	(10,144)
Net Nonoperating Revenues	389,094	394,282	6,308	15,004
<b>Income Before Other Revenues</b>	32,780	58,411	7,083	4,860
Other Revenues	30,347	35,475	-	-
<b>Net Increase In Net Position</b>	63,127	93,886	7,083	4,860
Net Position, Beginning of Year	1,363,607	1,269,721	125,522	120,662
Adjustment to Beginning Net Position (1)	(105,184)	-	-	-
<b>Net Position, Beginning of Year, as Restated</b>	1,258,423	1,269,721	125,522	120,662
<b>Net Position, End of Year</b>	<u>\$ 1,321,550</u>	<u>\$ 1,363,607</u>	<u>\$ 132,605</u>	<u>\$ 125,522</u>

Note: (1) The adjustment to beginning net position was due to the implementation of GASB Statement No. 68, which is a change in accounting principle that requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans. See notes 2 and 3 to the financial statements.

**Operating Revenues**

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

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

**Operating Revenues  
For the Fiscal Years Ended**

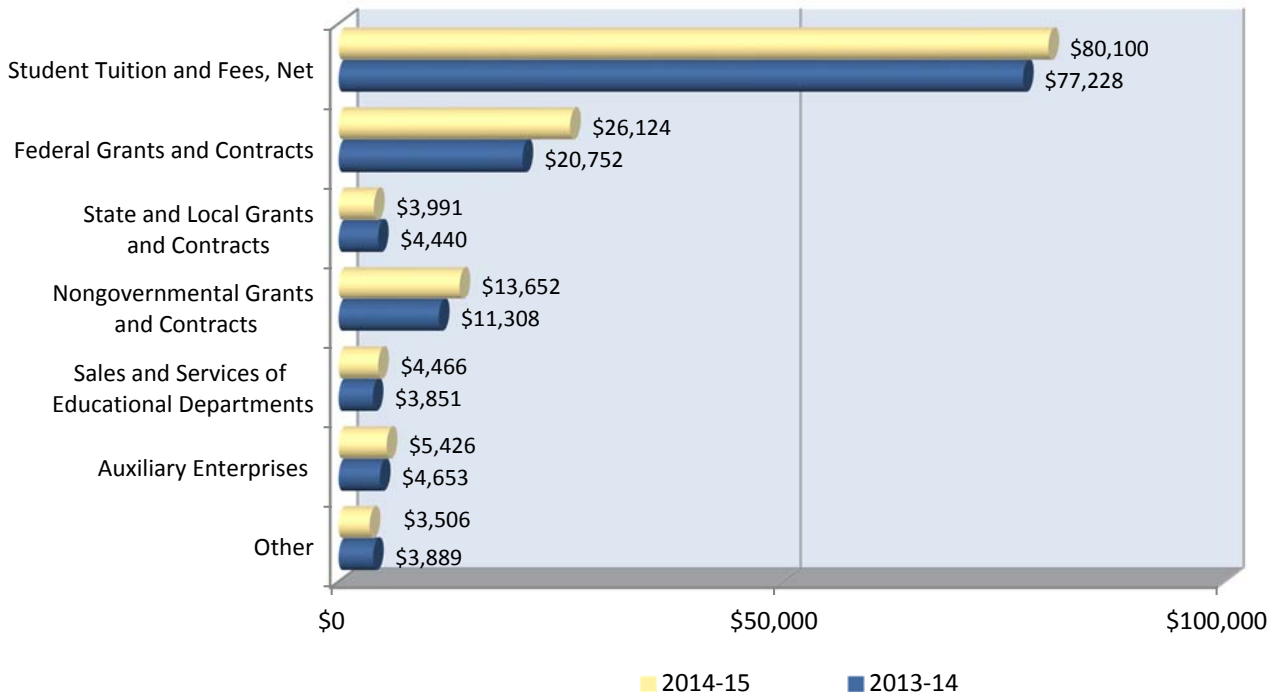
(In Thousands)

	College		Component Unit	
	6-30-15	6-30-14	3-31-15	3-31-14
Student Tuition and Fees, Net	\$ 80,100	\$ 77,228	\$ -	\$ -
Federal Grants and Contracts	26,124	20,752	-	-
State and Local Grants and Contracts	3,991	4,440	-	-
Nongovernmental Grants and Contracts	13,652	11,308	-	-
Sales and Services of Educational Departments	4,466	3,851	-	-
Auxiliary Enterprises	5,426	4,653	-	-
Other	3,506	3,889	14,078	5,012
<b>Total Operating Revenues</b>	<b>\$ 137,265</b>	<b>\$ 126,121</b>	<b>\$ 14,078</b>	<b>\$ 5,012</b>

The following chart presents the College's operating revenues for the 2014-15 and 2013-14 fiscal years:

**Operating Revenues: College**

(In Thousands)



College operating revenues increased by \$11.1 million, or 8.8 percent, compared to the 2013-14 fiscal year, primarily as a result of the following factors:

- Student tuition and fees, net of scholarship allowance, increased by \$2.9 million or 3.7 percent, primarily due to a slight increase in enrollment and an increase in the capital improvement fee.

- Federal grants and contracts revenue increased by \$5.4 million or 25.9 percent, mainly due to increases in the funding received from various programs such as Career and Technical Education, Refugee and Entrant Assistance Targeted Assistance Grants and State Fiscal Stabilization Fund - Race to the Top Incentive.
- Nongovernmental grants and contracts revenue increased by \$2.3 million or 20.7 percent, primarily due to funds received from private funders.

### **Operating Expenses**

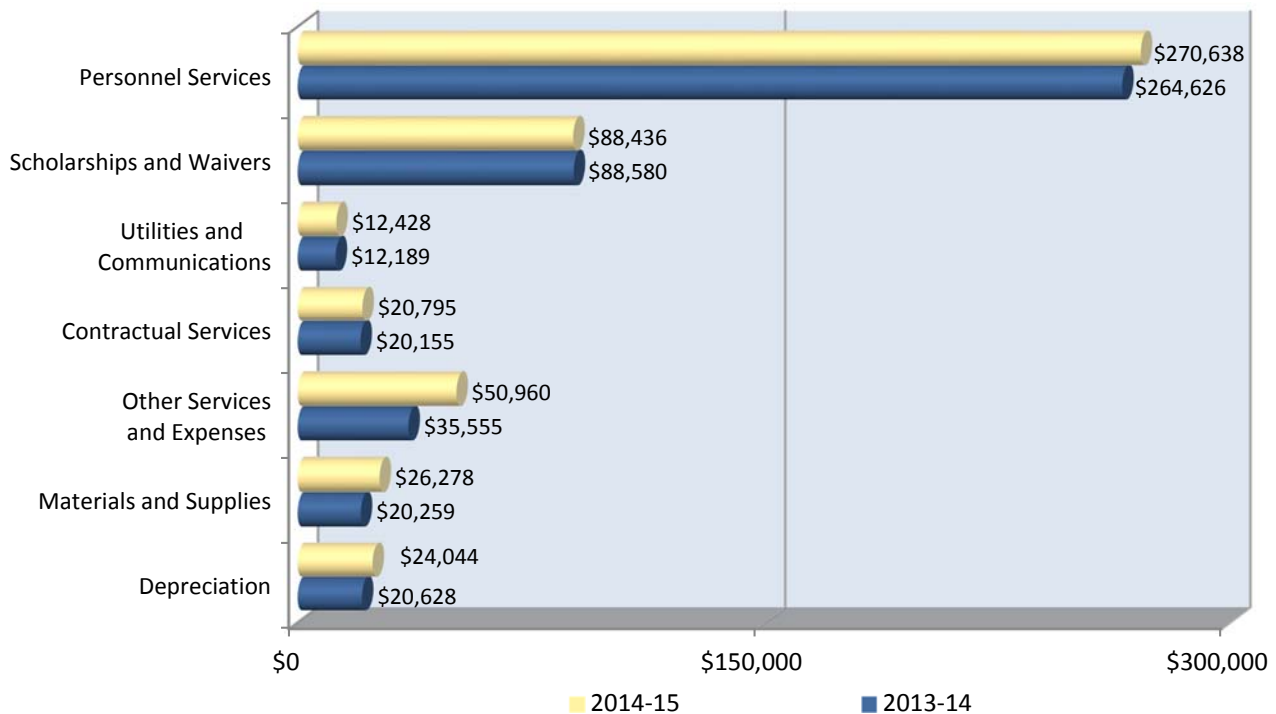
Expenses are categorized as operating or nonoperating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen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

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

<b>Operating Expenses</b>				
<b>For the Fiscal Years Ended</b>				
<b>(In Thousands)</b>				
	<b>College</b>		<b>Component Unit</b>	
	<b>6-30-15</b>	<b>6-30-14</b>	<b>3-31-15</b>	<b>3-31-14</b>
Personnel Services	\$ 270,638	\$ 264,626	\$ 2,147	\$ 2,225
Scholarships and Waivers	88,436	88,580	5,531	8,372
Utilities and Communications	12,428	12,189	-	-
Contractual Services	20,795	20,155	-	-
Other Services and Expenses	50,960	35,555	5,625	4,559
Materials and Supplies	26,278	20,259	-	-
Depreciation	24,044	20,628	-	-
<b>Total Operating Expenses</b>	<b>\$ 493,579</b>	<b>\$ 461,992</b>	<b>\$ 13,303</b>	<b>\$ 15,156</b>

The following chart presents the College's operating expenses for the 2014-15 and 2013-14 fiscal years:

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



College operating expense increased by \$31.6 million, or 6.8 percent, compared to the 2013-14 fiscal year, primarily as a result of the following factors:

- Personnel services increased by \$6 million, or 2.3 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.
- Other services and expenses increased by \$15.4 million, or 43.3 percent, primarily due to the close out of the West Campus parking garage.
- Materials and supplies expenses increased by \$6 million, or 29.7 percent primarily due to an increase in activities and programs offered.
- Depreciation expense increased by \$3.4 million, or 16.6 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 2014-15 and 2013-14 fiscal years:

## Nonoperating Revenues (Expenses): College

(In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
State Noncapital Appropriations	\$ 174,722	\$ 173,331
Federal and State Student Financial Aid	181,142	187,733
Investment Income	9,774	9,141
Net Realized and Unrealized Gain (Loss) on Investments	(3,309)	24,457
Other Nonoperating Revenues	27,042	-
Interest on Capital Asset-Related Debt	(277)	(380)
<b>Net Nonoperating Revenues</b>	<b>\$ 389,094</b>	<b>\$ 394,282</b>

Net nonoperating revenues decreased by \$5.2 million, or 1.3 percent, compared to the 2013-14 fiscal year, as a result of the following factors:

- State noncapital appropriations increased by \$1.4 million, or 0.8 percent, which was the net effect of increases of \$7 million and \$0.3 million in Lottery revenues and performance based incentive appropriations, respectively, offset by a decrease of \$5.9 million in the Florida College System Program Fund appropriation.
- Federal and State student financial aid decreased by \$6.6 million, or 3.5 percent, primarily due to a decrease in the Federal Pell grants program.
- Net gain (loss) on investments decreased by \$27.8 million, or 113.5 percent, due to changes in market conditions.
- Other nonoperating revenues increased by \$27 million, primarily due to an insurance recovery related to the West Campus Garage.
- Investment income and interest on capital asset-related debt only increased and decreased by \$0.6 million and \$0.1 million, respectively.

### Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2014-15 and 2013-14 fiscal years:

### Other Revenues: College

(In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
State Capital Appropriations	\$ 9,329	\$ 16,529
Capital Grants, Contracts, Gifts, and Fees	21,018	18,946
<b>Total Other Revenues</b>	<b>\$ 30,347</b>	<b>\$ 35,475</b>

Other revenues decreased by \$5.1 million, or 14.5 percent, compared to the 2013-14 fiscal year, as a result of the following factors:

- State capital appropriations decreased by \$7.2 million, or 43.6 percent, as a result of a decrease in Public Education Capital Outlay funding.

- Capital grants, contracts, gifts, and fees increased by \$2.1 million, or 10.9 percent, primarily as a result of the Board-approved capital improvement fees increase.

### **The Statement of Cash Flows**

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

The following summarizes the College's cash flows for the 2014-15 and 2013-14 fiscal years:

#### **Condensed Statement of Cash Flows: College**

(In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
Cash Provided (Used) by:		
Operating Activities	\$ (331,530)	\$ (306,115)
Noncapital Financing Activities	363,560	360,190
Capital and Related Financing Activities	6,896	(18,809)
Investing Activities	6,860	(55,351)
	<u>45,786</u>	<u>(20,085)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>45,786</b>	<b>(20,085)</b>
Cash and Cash Equivalents, Beginning of Year	488,481	508,566
	<u>\$ 534,267</u>	<u>\$ 488,481</u>

Major sources of funds came from Federal and State student financial aid (\$181.5 million), State noncapital appropriations (\$174.7 million), net student tuition and fees (\$78.2 million), Federal Direct Loan program receipts (\$45.6 million), grants and contracts (\$44 million), insurance recoveries (\$26.6 million), proceeds from sales and maturities of investments (\$40.7 million), and collection on loans to students (\$26.4 million). Major uses of funds were for payments to employees and for employee benefits (\$274.1 million), payments to suppliers of goods and services (\$107.3 million), payments for scholarships (\$88.4 million), purchases of capital assets (\$48.3 million), purchases of investments (\$48.1 million) and disbursements to students for Federal Direct Loan program (\$44.3 million).

During the 2014-15 fiscal year, cash and cash equivalents increased by \$45.8 million, when compared to the prior fiscal year. The increase in cash and cash equivalents and a discussion of the categories of cash flows are as follows:

- Net cash used for operating activities was \$331.5 million, which represents an increase of \$25.4 million as compared to the 2013-14 fiscal year. The net increase in cash used was primarily the result of increases in payments to suppliers of \$18.3 million, payments to employees of \$6.8 million, and payments for employee benefits of \$3.5 million, offset by an increase in cash received from grants and contracts of \$1.6 million and a reduction in loans issued to students of \$1.9 million.

- The net cash provided by noncapital financing activities was \$363.6 million, which represents an increase of \$3.3 million as compared to the 2013-14 fiscal year. The net increase was the result of increases in cash received from other non-operating receipts and State noncapital appropriations of \$6 million and \$1.4 million, respectively, and a decrease in Federal Direct Loan disbursements of \$2.8 million, which were offset by decreases in Federal and State student financial aid and Federal Direct Loan receipts of \$6.1 million and \$0.8 million, respectively.
- The net cash provided by capital and related financing activities was \$6.9 million, which represents an increase of \$25.7 million as compared to the 2013-14 fiscal year. This net increase in cash received was primarily due to insurance recoveries related to the collapsed West Campus Garage.
- The net cash provided by investing activities was \$6.9 million, which represents an increase of \$62.2 million in cash provided from investing activities from the prior fiscal year. This net increase in cash provided was primarily the result of a decrease in the net purchase of investments over proceeds from the sale of investments of \$62.2 million.

<b>CAPITAL ASSETS, CAPITAL COMMITMENTS, AND DEBT ADMINISTRATION</b>
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### **Capital Assets**

At June 30, 2015, the College had \$969.7 million in capital assets, less accumulated depreciation of \$420.4 million, for net capital assets of \$549.3 million. Depreciation charges for the current fiscal year totaled \$24 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>2015</u>	<u>2014</u>
Land	\$ 96,740	\$ 96,740
Construction in Progress	10,048	101,109
Buildings	743,646	638,540
Other Structures and Improvements	30,502	30,502
Furniture, Machinery, and Equipment	68,934	62,303
Computer software	19,875	8,505
<b>Total</b>	<u>969,745</u>	<u>937,699</u>
Less: Accumulated Depreciation		
Buildings	333,876	315,056
Other Structures and Improvements	27,481	26,519
Furniture, Machinery, and Equipment	59,037	54,775
<b>Total</b>	<u>420,394</u>	<u>396,350</u>
<b>Capital Assets, Net</b>	<u>\$ 549,351</u>	<u>\$ 541,349</u>

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

### **Capital Commitments**

The College had \$19.8 million in major construction commitments at June 30, 2015. The commitments are for projects that include classrooms and parking garages. State capital appropriations together with

local funds are expected to finance these projects. The College’s major construction commitments at June 30, 2015, are as follows:

	<b>Amount</b> <b>(In Thousands)</b>
Total Committed	\$ 28,523
Completed to Date	<u>(8,740)</u>
<b>Balance Committed</b>	<b><u>\$ 19,783</u></b>

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

**Debt Administration**

As of June 30, 2015, the College had \$0.5 million in outstanding bonds payable versus \$0.7 million outstanding bonds payable at the end of the 2013-14 fiscal year, representing a decrease of 37.8 percent.

The State Board of Education 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.

Additional 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. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated for the 2015-16 fiscal year. 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. 104<sup>th</sup> Street, Miami, Florida 33176.

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# BASIC FINANCIAL STATEMENTS

## Miami Dade College A Component Unit of the State of Florida Statement of Net Position

June 30, 2015

	<u>College</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 80,727,428	\$ 5,531,730
Restricted Cash and Cash Equivalents	51,511,880	167,144
Cash Collateral Securities Lending	28,144,655	27,230,032
Accounts Receivable, Net	9,715,637	7,062,371
Notes Receivable, Net	2,326,193	-
Due from Other Governmental Agencies	29,110,295	-
Due from Component Unit/College	4,583,267	976,484
Inventories	45,193	-
Prepaid Expenses	631,370	-
Deposits	85,161	-
Other Current Assets	-	313,169
<b>Total Current Assets</b>	<b>206,881,079</b>	<b>41,280,930</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	402,027,749	2,317,773
Endowment Investments	112,375,057	93,075,590
Restricted Other Investments	205,412,359	-
Other Investments	62,836,655	26,421,528
Notes Receivable, Net	11,484,555	-
Depreciable Capital Assets, Net	442,563,179	-
Nondepreciable Capital Assets	106,787,683	-
<b>Total Noncurrent Assets</b>	<b>1,343,487,237</b>	<b>121,814,891</b>
<b>TOTAL ASSETS</b>	<b>1,550,368,316</b>	<b>163,095,821</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	25,062,542	-
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	8,085,006	444,899
Salary and Payroll Taxes Payable	21,404,892	-
Retainage Payable	833,913	-
Due to Other Governmental Agencies	860,736	167,144
Due to Component Unit/College	458,023	2,649,057
Unearned Revenue	19,638,813	-
Liability for Cash Collateral Securities Lending	28,144,655	27,230,032
Long-Term Liabilities - Current Portion:		
Bonds Payable	132,000	-
Deposit Held for Others	12,318,470	-
Compensated Absences Payable	15,956,357	-
Net Pension Liability	1,763,858	-
<b>Total Current Liabilities</b>	<b>109,596,723</b>	<b>30,491,132</b>

**Miami Dade College**  
**A Component Unit of the State of Florida**  
**Statement of Net Position (Continued)**

**June 30, 2015**

	<b>College</b>	<b>Component Unit</b>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds Payable	328,000	-
Deposits Held for Others	5,000	-
Compensated Absences Payable	12,736,965	-
Other Postemployment Benefits Payable	8,413,243	-
Net Pension Liability	77,159,878	-
<b>Total Noncurrent Liabilities</b>	<b>98,643,086</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>208,239,809</b>	<b>30,491,132</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	45,641,287	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	548,890,862	-
Restricted:		
Nonexpendable:		
Endowment	-	47,912,484
Expendable:		
Endowment	112,514,270	-
Grants and Loans	41,098,804	-
Scholarships	5,045,971	80,522,170
Capital Projects	594,114,635	-
Debt Service	13,103	-
Unrestricted	19,872,117	4,170,035
<b>TOTAL NET POSITION</b>	<b>\$ 1,321,549,762</b>	<b>\$ 132,604,689</b>

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, 2015**

	<u>College</u>	<u>Component Unit</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$110,156,846	\$ 80,099,888	\$ -
Federal Grants and Contracts	26,124,429	-
State and Local Grants and Contracts	3,990,870	-
Nongovernmental Grants and Contracts	13,651,940	-
Sales and Services of Educational Departments	4,465,584	-
Auxiliary Enterprises	5,425,558	-
Other Operating Revenues	3,506,286	14,077,583
<b>Total Operating Revenues</b>	<b>137,264,555</b>	<b>14,077,583</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	270,637,812	2,147,216
Scholarships and Waivers	88,436,275	5,530,179
Utilities and Communications	12,428,494	-
Contractual Services	20,794,879	-
Other Services and Expenses	50,959,825	5,625,391
Materials and Supplies	26,278,352	-
Depreciation	24,043,804	-
<b>Total Operating Expenses</b>	<b>493,579,441</b>	<b>13,302,786</b>
<b>Operating Income (Loss)</b>	<b>(356,314,886)</b>	<b>774,797</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	174,722,236	-
Federal and State Student Financial Aid	181,141,664	-
Investment Income	9,773,860	878,668
Net Realized and Unrealized Gain (Loss) on Investments	(3,308,921)	5,429,697
Other Nonoperating Revenues	27,042,361	-
Interest on Capital Asset-Related Debt	(276,794)	-
<b>Net Nonoperating Revenues</b>	<b>389,094,406</b>	<b>6,308,365</b>
<b>Income Before Other Revenues</b>	<b>32,779,520</b>	<b>7,083,162</b>
State Capital Appropriations	9,329,180	-
Capital Grants, Contracts, Gifts, and Fees	21,018,559	-
<b>Total Other Revenues</b>	<b>30,347,739</b>	<b>-</b>
<b>Increase in Net Position</b>	<b>63,127,259</b>	<b>7,083,162</b>
Net Position, Beginning of Year	1,363,606,853	125,521,527
Adjustment to Beginning Net Position	(105,184,350)	-
<b>Net Position, Beginning of Year, as Restated</b>	<b>1,258,422,503</b>	<b>125,521,527</b>
<b>Net Position, End of Year</b>	<b>\$ 1,321,549,762</b>	<b>\$ 132,604,689</b>

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

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**Miami Dade College**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2015**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 78,180,732
Grants and Contracts	43,985,730
Payments to Suppliers	(94,837,870)
Payments for Utilities and Communications	(12,428,494)
Payments to Employees	(226,076,740)
Payments for Employee Benefits	(47,999,165)
Payments for Scholarships	(88,436,275)
Loans Issued to Students	(25,509,901)
Collection on Loans to Students	26,442,389
Auxiliary Enterprises	5,469,748
Sales and Service of Educational Departments	4,465,584
Other Receipts	5,214,228
	<b>(331,530,034)</b>
<b>Net Cash Used by Operating Activities</b>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	174,722,236
Federal and State Student Financial Aid	181,527,570
Federal Direct Loan Program Receipts	45,610,859
Federal Direct Loan Program Disbursements	(44,343,987)
Other Nonoperating Receipts	6,042,543
	<b>363,559,221</b>
<b>Net Cash Provided by Noncapital Financing Activities</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	8,008,064
Capital Grants and Gifts	20,698,455
Proceeds from Sale of Capital Assets	468,492
Purchases of Capital Assets	(48,325,660)
Principal Paid on Capital Debt	(250,000)
Interest Paid on Capital Debt	(276,794)
Insurance Recoveries	26,573,870
	<b>6,896,427</b>
<b>Net Cash Provided by Capital and Related Financing Activities</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	40,656,145
Purchases of Investments	(48,147,732)
Investment Income	14,351,849
	<b>6,860,262</b>
<b>Net Cash Provided by Investing Activities</b>	
<b>Net Increase in Cash and Cash Equivalents</b>	<b>45,785,876</b>
Cash and Cash Equivalents, Beginning of Year	488,481,181
	<b>\$ 534,267,057</b>

**Miami Dade College**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (356,314,886)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	24,043,804
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Accounts Receivable, Net	(974,906)
Notes Receivable, Net	1,988,870
Due from Other Governmental Agencies	(220,964)
Due from Component Unit	(2,083,519)
Inventories	44,189
Prepaid Expenses	1,011,866
Accounts Payable	1,060,496
Salaries and Payroll Taxes Payable	744,371
Due to Other Governmental Agencies	66,738
Due to Component Unit	(5,628)
Unearned Revenue	1,307,736
Deposits Held for Others	1,984,264
Compensated Absences Payable	909,670
Other Postemployment Benefits Payable	589,734
Net Pension Liability	(37,656,555)
Deferred Outflows of Resources Related to Pensions	(13,666,601)
Deferred Inflows of Resources Related to Pensions	45,641,287
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (331,530,034)</b>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND  
CAPITAL FINANCING ACTIVITIES**

Unrealized losses on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows. \$ (7,886,910)

The State Board of Education (SBE) issued \$395,000 SBE Capital Outlay Bonds, Series 2014B, to refund \$10,000 SBE Capital Outlay Bonds, Series 2005A and \$415,000 SBE Capital Outlay Bonds, Series 2005B. The new debt and the refunded old debt were recorded as an increase and a decrease, respectively, to bonds payable on the statement of net position; however, because the proceeds were used to refund the old debt, the transaction did not affect cash and cash equivalents. \$ 30,000

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

# **NOTES TO FINANCIAL STATEMENTS**

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

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

**Discretely Presented Component Unit.** Based on the application of the criteria for determining component units, 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 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 expenses to or for the benefit of the College.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public 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, 2015.

**Basis of Presentation.** The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

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

The College's component unit uses the economic resources measurement focus and 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, net realized and unrealized gains and losses on investments, and other revenues. 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 difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College identified, within its accounting system, amounts paid for tuition and fees by financial aid. The total amount of these third party payments is deducted from student tuition and fees.

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

**Cash and Cash Equivalents.** The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash invested with the State Treasury Special Purpose Investment Account (SPIA) and the State Board of Administration (SBA) Florida PRIME investment pools. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury SPIA and SBA Florida PRIME investment pools to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2015, the College reported as cash equivalents at fair value \$274,669,735 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 2.67 years and fair value factor of 1.0013 at June 30, 2015. 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, 2015, the College reported as cash equivalents \$243,540,079 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 34 days as of June 30, 2015. 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; furniture, machinery, and equipment; and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years

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

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

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

## **2. Reporting Change**

The College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The College participates in the FRS defined benefit pension plan and the HIS defined benefit pension plan administered by the Florida Department of Management Services, Division of Retirement. The effects of implementing this Statement are discussed in a subsequent note.

## **3. Adjustment to Beginning Net Position**

The beginning net position of the College was decreased by \$105,184,350 due to the adoption of a new GASB Pronouncement, Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires the College to recognize its proportionate share of the net pension liabilities and related pension amounts of the cost-sharing multiple-employer FRS and HIS defined benefit pension plans.

## **4. Deficit Net Position in Individual Funds**

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (22,864,247)
Auxiliary Funds	42,736,364
<b>Total</b>	<b>\$ 19,872,117</b>

## 5. Investments

The Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the State Board of Administration (SBA); Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; and other investments approved by the Board of Trustees as authorized by law. 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, 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 2014-15 fiscal year, moneys for the Endowment Fund were invested by 12 investment managers, and other investments were invested by 7 investment managers.

Endowment investments and other investments are reported at fair value of \$112,375,057 and \$268,249,014, respectively. The reporting of endowment investments and other investments at fair value resulted in unrealized losses of \$4,115,802 and \$2,156,076, respectively.

The College's investments at June 30, 2015, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Alternative Hedge Funds (1)	\$ 106,505,553
Domestic Corporate Bonds and Notes	61,137,777
Domestic Stocks and Other Equity Securities	45,418,014
United States Government Obligations	49,021,188
Federal Agency Obligations	35,679,377
International Equities	45,576,284
International Corporate Bonds and Notes	11,834,689
Money Market Funds	13,792,654
International Government Obligations	6,166,348
Real Estate	5,479,084
State Board of Administration Debt Service Accounts	<u>13,103</u>
<b>Total College Investments</b>	<b><u>\$ 380,624,071</u></b>

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.

*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, 2015, the College had investments in debt securities and money market funds as follows:

**College Investment Durations**

Average Durations	Fair Value	Investment Types (1)					Money Market Funds
		United States Government Obligations	International Government Obligations	Federal Agency Obligations	Domestic Corporate Bonds and Notes	International Corporate Bonds and Notes	
Endowment Investments:							
No More Than 397 Days (2)	\$ 4,711,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,711,010
0.13 Years	5,841,999	-	5,841,999	-	-	-	-
5.22 Years	5,525,145	1,713,862	-	1,860,660	1,447,870	502,753	-
Other Investments:							
No More Than 397 Days (2)	9,081,644	-	-	-	-	-	9,081,644
3.75 Years	45,020,671	12,328,804	324,349	8,050,758	19,741,351	4,575,409	-
4.15 Years	94,880,596	31,013,617	-	21,157,162	36,797,634	5,912,183	-
5.4 Years	12,570,968	3,964,905	-	4,610,797	3,150,922	844,344	-
<b>Total</b>	<b>\$ 177,632,033</b>	<b>\$ 49,021,188</b>	<b>\$ 6,166,348</b>	<b>\$ 35,679,377</b>	<b>\$ 61,137,777</b>	<b>\$ 11,834,689</b>	<b>\$ 13,792,654</b>

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, 2015, the College had investments with quality ratings by nationally recognized rating agencies (e.g., Standard & Poor's) as follows:

Investment Type (1)	College Investments Quality Ratings				
	Fair Value	AA-/Aa3/AA-	Aa2	AA-	Rating Unavailable
Endowment Investments:					
Domestic Corporate Bonds and Notes	\$ 1,447,870	\$ -	\$ 1,447,870	\$ -	\$ -
International Corporate Bonds and Notes	502,753	-	502,753	-	-
Federal Agency Obligations	1,723,297	-	1,723,297	-	-
International Government Obligations	5,841,999	-	-	5,841,999	-
Money Market Funds	204,537	-	-	-	204,537
Other Investments:					
Domestic Corporate Bonds and Notes	59,689,907	19,741,351	39,948,556	-	-
International Corporate Bonds and Notes	11,331,936	4,575,408	6,756,528	-	-
Federal Agency Obligations	30,685,553	8,006,577	22,678,976	-	-
International Government Obligations	324,349	324,349	-	-	-
Money Market Funds	9,081,633	-	-	-	9,081,633
<b>Total</b>	<b>\$ 120,833,834</b>	<b>\$ 32,647,685</b>	<b>\$ 73,057,980</b>	<b>\$ 5,841,999</b>	<b>\$ 9,286,170</b>

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.

The College's other investments at June 30, 2015 had a weighted average credit rating lower than AA due to investments of \$29,352,236 in alternative hedge funds and \$15,633,583 in international equities with unavailable credit ratings.

*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 \$106,505,553 in alternative hedge funds, \$13,592,389 in domestic stocks and equities, \$44,982,069 in international equities, \$5,841,999 in international government obligations, as well as money market funds totaling \$2,431,212 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 their respective portfolio in certain international equities 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 provided that a maximum of 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, 2015, the College had loaned certain securities, with fair value of \$27,538,734 and had received cash collateral of \$28,144,655 for the loaned securities. As of June 30, 2015, the College had net investment income of \$60,098 for securities lending transactions.

<b>Securities Lending - Investments Lent and Collateral Received (at Fair Value)</b>		
<u>Securities Lent</u>	<u>Fair Value of Underlying Securities</u>	<u>Cash Collateral Investment Value</u>
For Cash Collateral (Endowment):		
Stock and Other Equity Securities	\$ 16,371,526	\$ 16,728,475
For Cash Collateral (Other Investments):		
United States Government Obligations	2,082,111	2,132,804
Corporate Bonds	9,085,097	9,283,376
<b>Total</b>	<b>\$ 27,538,734</b>	<b>\$ 28,144,655</b>

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, 2015, 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.

### **State Board of Administration Debt Service Accounts**

The College reported investments totaling \$13,103 at June 30, 2015, 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 6 months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk and 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 \$119,497,118. This includes investments totaling \$35,486,771, 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 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 statement of financial position. Earnings on the invested collateral, net of expenses, are recorded as other income in the component unit's statement of activities.

## **6. 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 2-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, 2015, the College reported quasi endowment investments of approximately \$112.4 million.

## **7. Accounts Receivable**

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, returned checks, uncollected commissions for the bookstore, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$2,294,226 allowance for doubtful accounts.

## **8. Notes Receivable**

Notes receivable represent student loans made under the Federal Perkins Loan Program of \$12,974,863, Federal Nursing Student Loan Program of \$45,169, a short-term loan program of \$4,023,272, and an emergency loan program of \$7,332. Notes receivable are reported net of a \$3,239,888 allowance for doubtful notes.

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

The amount due from other governmental agencies primarily consists of \$10,980,551 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$12,211,478 due from Federal and State governments for reimbursement of expenses for grants and contracts.

## 10. Due From and to Component Unit/College

The \$4,583,267 due from component unit consists of amounts owed to the College by the Foundation for scholarships and student aid, endowed teaching chair commitments, and other program support. The \$458,023 due to component unit consists of amounts owed by the College to the Foundation pursuant to an agreement to support the Foundation's operations. The College's financial statements are reported for the fiscal year ended June 30, 2015. The College's component unit's financial statements are reported for the fiscal year ended March 31, 2015. 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.

## 11. 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.

## 12. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 96,739,942	\$ -	\$ -	\$ 96,739,942
Construction in Progress	101,108,688	27,625,980	118,686,927	10,047,741
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 197,848,630</b>	<b>\$ 27,625,980</b>	<b>\$ 118,686,927</b>	<b>\$ 106,787,683</b>
Depreciable Capital Assets:				
Buildings	\$ 638,539,907	\$ 105,105,740	\$ -	\$ 743,645,647
Other Structures and Improvements	30,502,658	-	-	30,502,658
Furniture, Machinery, and Equipment	62,302,547	6,631,286	-	68,933,833
Computer Software	8,504,962	11,369,868	-	19,874,830
<b>Total Depreciable Capital Assets</b>	<b>739,850,074</b>	<b>123,106,894</b>	<b>-</b>	<b>862,956,968</b>
Less, Accumulated Depreciation:				
Buildings	315,056,375	18,819,469	-	333,875,844
Other Structures and Improvements	26,518,754	962,281	-	27,481,035
Furniture, Machinery, and Equipment	54,774,856	4,262,054	-	59,036,910
<b>Total Accumulated Depreciation</b>	<b>396,349,985</b>	<b>24,043,804</b>	<b>-</b>	<b>420,393,789</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 343,500,089</b>	<b>\$ 99,063,090</b>	<b>\$ -</b>	<b>\$ 442,563,179</b>

## 13. Salary and Payroll Taxes Payable

Salary and payroll taxes payable as of June 30, 2015, totaled \$21,404,892. This amount includes \$9,154,042 of salary and payroll taxes and \$12,250,850 of banked points liability. 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.

#### 14. Unearned Revenue

As of June 30, 2015, the College reported \$19,638,813 in unearned revenue for restricted grants and contracts revenue received prior to fiscal year-end related to subsequent accounting periods. Restricted grants and contracts primarily consists of private donations designated for scholarships.

#### 15. Long-Term Liabilities

Long-term liabilities of the College at June 30, 2015 included bonds payable, deposits held for others, compensated absences payable, other postemployment benefits payable, and net pension liability. Long-term liability activity for the fiscal year ended June 30, 2015, 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	\$ 740,000	\$ 395,000	\$ 675,000	\$ 460,000	\$ 132,000
Deposit Held for Others	10,331,327	499,167,015	497,174,872	12,323,470	12,318,470
Compensated Absences Payable	27,783,652	16,360,639	15,450,969	28,693,322	15,956,357
Other Postemployment Benefits Payable	7,823,509	1,746,768	1,157,034	8,413,243	-
Net Pension Liability (1)	116,580,291	19,380,673	57,037,228	78,923,736	1,763,858
<b>Total Long-Term Liabilities</b>	<b>\$ 163,258,779</b>	<b>\$ 537,050,095</b>	<b>\$ 571,495,103</b>	<b>\$ 128,813,771</b>	<b>\$ 30,170,685</b>

Note: (1) The beginning balance resulted from the implementation of GASB Statement No. 68.

**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, 2015:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
SBE Capital Outlay Bonds:			
Series 2014B	\$ 395,000	2 - 5	2020
Series 2009A	65,000	5	2019
<b>Total</b>	<b>\$ 460,000</b>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds		
	Principal	Interest	Total
2016	\$ 132,000	\$ 24,106	\$ 156,106
2017	137,000	15,950	152,950
2018	141,000	9,100	150,100
2019	35,000	2,050	37,050
2020	15,000	300	15,300
<b>Total</b>	<b>\$ 460,000</b>	<b>\$ 51,506</b>	<b>\$ 511,506</b>

On December 2, 2014, the SBE issued \$129,880,000 of the SBE Capital Outlay Bonds, Series 2014B. The College's portion of the bonds, \$395,000, was used to refund \$10,000 of outstanding SBE Capital Outlay Bonds, Series 2005A, and \$415,000 of outstanding SBE Capital Outlay Bonds, Series 2005B. As a result of the refunding, the College had a debt service savings of \$37,635 and obtained an economic gain of \$36,917.

**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, 2015, the College reported a total liability of \$12,323,470, of which \$12,318,470 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, 2015, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$28,693,322. The current portion of the compensated absences liability, \$15,956,357, 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 certain other postemployment benefits administered by the College and life, dental, and long-term disability coverage insurance benefits through purchased commercial insurance.

*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 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 health coverage as soon as they are eligible. The College does not issue a stand-alone report, and the Plan is not included in the annual report of a public employee retirement system or another entity.

*Funding Policy.* Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend plan benefits and contribution rates. The College has not advance-funded other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2014-15 fiscal year, 189 retirees received other postemployment benefits. The College provided required contributions of \$1,157,034 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$1,499,494, which represents 1.07 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 fiscal 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)	\$ 962,332
Amortization of Unfunded Actuarial Accrued Liability	<u>732,279</u>
<b>Annual Required Contribution</b>	1,694,611
Interest on Net OPEB Obligation	312,941
Adjustment to Annual Required Contribution	<u>(260,784)</u>
<b>Annual OPEB Cost (Expense)</b>	1,746,768
Contribution Toward the OPEB Cost	<u>(1,157,034)</u>
<b>Increase in Net OPEB Obligation</b>	589,734
Net OPEB Obligation, Beginning of Year	<u>7,823,509</u>
<b>Net OPEB Obligation, End of Year</b>	<u><u>\$ 8,413,243</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, 2015, and for the 2 preceding fiscal years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012-13	\$ 1,325,153	66.12%	\$ 7,157,242
2013-14	1,608,479	58.58%	7,823,509
2014-15	1,746,768	66.24%	8,413,243

*Funded Status and Funding Progress.* As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$19,063,338, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$19,063,338, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$139,969,586 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.6 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, 2013, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2015, and the College's 2014-15 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 7.5 percent pre-Medicare and 6 percent Medicare for the 2014-15 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 3 years pre-Medicare and 2 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, 2015 was 22 years.

## **16. Retirement Plans – Defined Benefit Pension Plans**

### **General Information about the Florida Retirement System (FRS)**

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

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

The College's FRS and HIS pension expense totaled \$7,191,404 for the 2014-15 fiscal year.

### **FRS Pension Plan**

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of 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. Employees enrolled in the Plan 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 to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with

an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

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

*Contributions.* The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.37
FRS, Senior Management Service	3.00	21.14
Deferred Retirement Option Program - Applicable to Members from Both of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The College's contributions to the Plan totaled \$10,661,767 for the fiscal year ended June 30, 2015.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2015, the College reported a liability of \$26,381,500 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the College's proportionate share was 0.432379370 percent, which was an increase of 0.031815088 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of \$3,362,492. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,632,566
Change of assumptions	4,568,837	-
Net difference between projected and actual earnings on FRS pension plan investments	-	44,008,721
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	4,607,460	-
College FRS contributions subsequent to the measurement date	10,661,767	-
<b>Total</b>	<b>\$ 19,838,064</b>	<b>\$ 45,641,287</b>

The deferred outflows of resources related to pensions totaling \$10,661,767 resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (9,578,835)
2017	(9,578,835)
2018	(9,578,835)
2019	(9,578,835)
2020	1,423,345
Thereafter	427,005
<b>Total</b>	<b>\$ (36,464,990)</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment Rate of Return	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
<b>Total</b>	<b>100.00%</b>			
Assumed inflation - Mean		2.60%		2.00%

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

*Discount Rate.* The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments

of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

*Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	<b>1% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1% Increase (8.65%)</b>
College's proportionate share of the net pension liability	\$ 112,837,180	\$ 26,381,500	\$ (45,533,129)

*Pension Plan Fiduciary Net Position.* Detailed information about Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

**HIS Pension Plan**

*Plan Description.* The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

*Benefits Provided.* For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

*Contributions.* The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled \$2,211,506 for the fiscal year ended June 30, 2015.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions.* At June 30, 2015, the College reported a net pension liability of \$52,542,236 for its proportionate share of

the net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within one year, net of the College's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the College's proportionate share was 0.561934377 percent, which was an increase of 0.014913615 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of \$3,828,912. In addition, the College reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>
Change of assumptions	\$ 1,869,661
Net difference between projected and actual earnings on HIS pension plan investments	25,222
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	1,118,089
College contributions subsequent to the measurement date	<u>2,211,506</u>
<b>Total</b>	<b><u>\$ 5,224,478</u></b>

The deferred outflows of resources totaling \$2,211,506 was related to pensions resulting from College contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 488,201
2017	488,201
2018	488,201
2019	488,201
2020	481,895
Thereafter	<u>578,273</u>
<b>Total</b>	<b><u>\$ 3,012,972</u></b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	4.29 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study had not been completed for the HIS Plan, the Florida Retirement System Actuarial Assumptions Conference reviewed the actuarial assumptions for the HIS Plan.

*Discount Rate.* The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

*Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
College's proportionate share of the net pension liability	\$ 59,762,538	\$ 52,542,236	\$ 46,515,349

*Pension Plan Fiduciary Net Position.* Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

## 17. Retirement Plans – Defined Contribution Pension Plans

**FRS Investment Plan.** The State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of

0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2014-15 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5 year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The College's Investment Plan pension expense totaled \$2,422,815 for the fiscal year ended June 30, 2015.

## 18. Construction Commitments

The College's major construction commitments at June 30, 2015, are as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Inter-American Campus:			
Building 6 Remodeling/Renovation Upgrades	\$ 2,749,247	\$ 1,726,891	\$ 1,022,356
Building 6 Remodeling/Renovation Phase II	3,993,031	1,757,781	2,235,250
West Campus:			
Parking Garage	5,800,298	2,953,620	2,846,678
Wolfson Campus:			
Parking Garage	15,980,553	2,302,217	13,678,336
<b>Total</b>	<b>\$ 28,523,129</b>	<b>\$ 8,740,509</b>	<b>\$ 19,782,620</b>

## **19. Risk Management Programs**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to \$150 million to February 28, 2015, and up to \$200 million from March 1, 2015, for property insurance. 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 3 fiscal years.

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

## **20. 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.

## **21. Functional Distribution of Operating Expenses**

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 157,720,923
Public Services	8,852,488
Academic Support	43,130,292
Student Services	35,203,180
Institutional Support	62,638,136
Operation and Maintenance of Plant	66,082,948
Scholarships and Waivers	88,436,275
Depreciation	24,043,804
Auxiliary Enterprises	7,471,395
<b>Total Operating Expenses</b>	<b>\$ 493,579,441</b>

## **OTHER REQUIRED SUPPLEMENTARY INFORMATION**

### **Schedule of Funding Progress – Other Postemployment Benefits Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (1) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
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%
7/1/2013	-	19,063,338	\$ 19,063,338	0%	132,478,287	14.39%

Note: (1) The College's OPEB actuarial valuation used the entry-age cost method for the actuarial valuations dated January 1, 2010, and the projected unit credit method for the actuarial valuations dated July 1, 2011, and July 1, 2013, to estimate the actuarial accrued liability.

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

	<b>2014 (1)</b>	<b>2013 (1)</b>
College's proportion of the FRS net pension liability	0.432379370%	0.400564282%
College's proportionate share of the FRS net pension liability	\$ 26,381,500	\$ 68,954,941
College's covered-employee payroll (2)	\$ 166,967,034	\$ 158,914,601
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	15.80%	43.39%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

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

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

**Schedule of College Contributions –  
Florida Retirement System Pension Plan**

	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required FRS contribution	\$ 10,661,767	\$ 9,470,943
FRS contributions in relation to the contractually required contribution	<u>(10,661,767)</u>	<u>(9,470,943)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 175,597,041	\$ 166,967,034
FRS contributions as a percentage of covered-employee payroll	6.07%	5.67%

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

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

	<u>2014 (1)</u>	<u>2013 (1)</u>
College's proportion of the HIS net pension liability	0.561934377%	0.547020762%
College's proportionate share of the HIS net pension liability	\$ 52,542,236	\$ 47,625,350
College's covered-employee payroll (2)	\$ 166,967,034	\$ 158,914,601
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.47%	29.97%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

- Notes: (1) The amounts presented for each fiscal year were determined as of June 30.  
(2) Covered-employee payroll includes defined benefit plan actives, investment plan members and members in DROP.

**Schedule of College Contributions –  
Health Insurance Subsidy Pension Plan**

	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required HIS contribution	\$ 2,211,506	\$ 1,924,998
HIS contributions in relation to the contractually required HIS contribution	<u>(2,211,506)</u>	<u>(1,924,998)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 175,597,041	\$ 166,967,034
HIS contributions as a percentage of covered-employee payroll	1.26%	1.15%

- Notes: (1) The amounts presented for each fiscal year were determined as of June 30.  
(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

### **1. Schedule of Funding Progress – Other Postemployment Benefits Plan**

The July 1, 2013, unfunded actuarial accrued liability of \$19,063,338 increased \$3,927,238, or 25.9 percent, from the July 1, 2011, liability of \$15,136,100 primarily due to:

- Demographic assumptions (rates of termination, retirement, disability, and mortality) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of healthcare were updated.
- The rates of healthcare inflation used to project the per capita healthcare costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.
- The conditions for retirement eligibility and rates of retirement were supplemented to accommodate those employees hired on or after July 1, 2011.
- A determination was made that the College has no liability under GASB Statement Nos. 43 and 45 for the life insurance benefit provided to retirees.

### **2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan**

*Changes of Assumptions.* As of June 30, 2014, the inflation rate assumption was decreased from 3 percent to 2.6 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

### **3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan**

*Changes of Assumptions.* The municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2015, 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 28, 2016, 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The results of our operational audit of the College will be presented in a separate report.

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 28, 2016