

MIAMI DADE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2014



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2013-14 fiscal year are listed below:

Helen Aguirre Ferré, Chair
Armando J. Bucelo, Jr., Vice Chair
Mariana L. Cancio
Jose K. Fuentes (1)
Benjamín León, III (1)
Bernardo Navarro from 3-10-14
Armando J. Olivera
Marielena A. Villamil to 3-9-14

Dr. Eduardo J. Padrón, President

Notes: (1) Board member served beyond the end of term, May 31, 2014.

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

The audit team leader was Kirenia Nieto, and the audit was supervised by Hector J. Quevedo, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

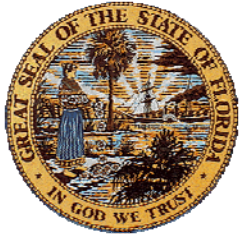
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2014. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Audit Methodology

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



DAVID W. MARTIN, CPA
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 of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Miami Dade College and of its discretely presented component unit as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Miami Dade College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Miami Dade College's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 23, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

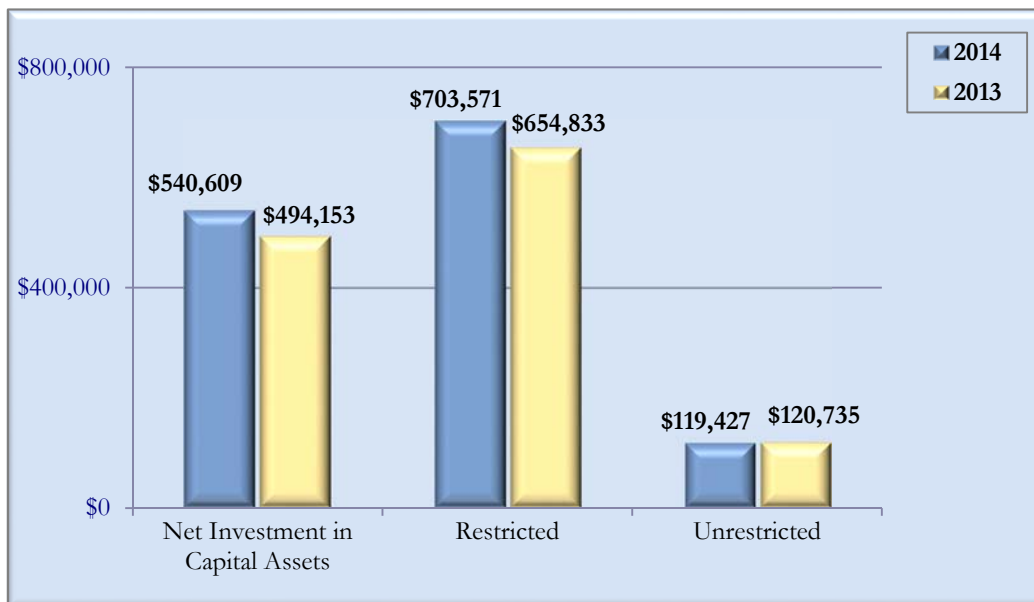
The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2014, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2014, and June 30, 2013, and its component unit the Miami Dade College Foundation, Inc., for the fiscal years ended March 31, 2014, and March 31, 2013.

FINANCIAL HIGHLIGHTS

The financial position of the College improved during the fiscal year ended June 30, 2014, as reflected by a \$93.9 million, or 7.4 percent, increase in net position over the 2012-13 fiscal year.

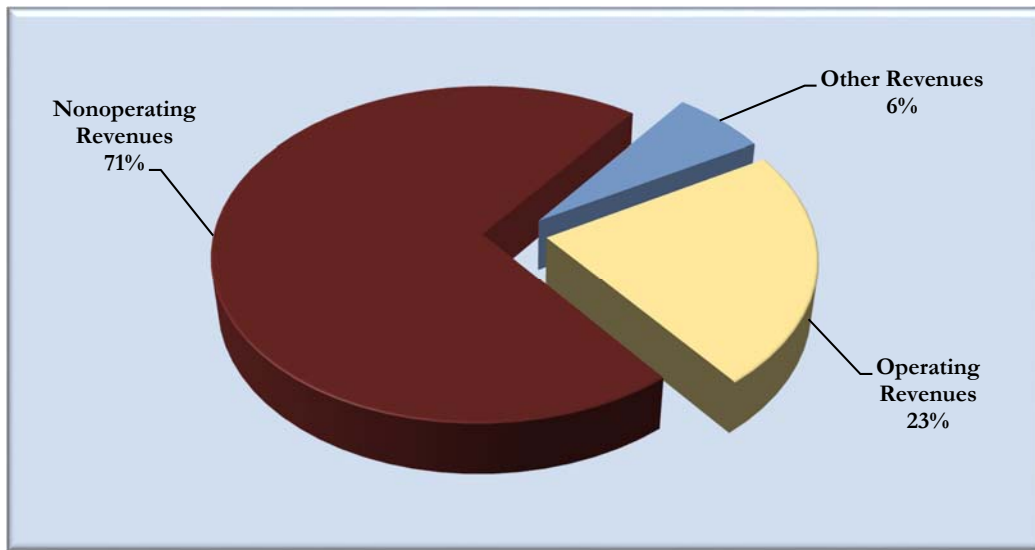
Net position represents the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

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



The following chart provides a graphical presentation of College revenues by category for the 2013-14 fiscal year:

Total Revenues: College



For the fiscal year ended June 30, 2014, College revenues and other support exceeded expenses, creating an increase in net position of \$93.9 million (compared to an \$88.8 million increase in the 2012-13 fiscal year). Nonoperating revenues represent 71 percent of total revenues and are primarily comprised of State noncapital appropriations and Federal and State student financial aid with a purpose of supporting operating activities.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

THE STATEMENT OF NET POSITION

One of the most important questions asked about the College’s finances is, “Is Miami Dade College as a whole, better or worse off as a result of the year’s activities?” The statement of net position provides information on the College as a whole and on its activities in a way that helps answer this question.

You can think of the College’s net position, the difference between assets and liabilities, as one way to measure the College’s financial health, or financial position. Over time, increases or decreases in the College’s net position is one indication of whether its financial health is improving or deteriorating. You will need to consider many other nonfinancial factors, such as certain trends, student retention, condition of buildings, and the safety of the campus, to assess the College’s overall financial health.

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

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

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Assets				
Current Assets	\$ 205,787	\$ 218,246	\$ 29,140	\$ 27,002
Capital Assets, Net	541,349	495,973		
Other Noncurrent Assets	753,903	678,126	119,957	115,307
Total Assets	<u>1,501,039</u>	<u>1,392,345</u>	<u>149,097</u>	<u>142,309</u>
Liabilities				
Current Liabilities	116,083	103,133	23,575	21,647
Noncurrent Liabilities	21,349	19,491		
Total Liabilities	<u>137,432</u>	<u>122,624</u>	<u>23,575</u>	<u>21,647</u>
Net Position				
Net Investment in Capital Assets	540,609	494,153		
Restricted	703,571	654,833	121,476	116,349
Unrestricted	119,427	120,735	4,046	4,313
Total Net Position	<u>\$ 1,363,607</u>	<u>\$ 1,269,721</u>	<u>\$ 125,522</u>	<u>\$ 120,662</u>

The College's net position increased by \$93.9 million, or 7.4 percent. Changes in the College's net position were the result of the following factors:

- Net investment in capital assets increased by \$46.5 million, or 9.4 percent, mainly due to the acquisition of capital assets.
- Restricted net position increased by \$48.7 million, or 7.4 percent, mainly due to transfers received from the current unrestricted funds for funding the acquisition of capital projects.

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

The statement of revenues, expenses, and changes in net position presents the College's revenue and expense activity, categorized as operating and nonoperating. 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	
	6-30-14	6-30-13	3-31-14	3-31-13
Operating Revenues	\$ 126,121	\$ 132,253	\$ 5,012	\$ 10,393
Less, Operating Expenses	461,992	442,285	15,156	15,697
Operating Loss	(335,871)	(310,032)	(10,144)	(5,304)
Net Nonoperating Revenues	394,282	372,631	15,004	10,079
Income Before Other Revenues, Expenses, Gains, or Losses	58,411	62,599	4,860	4,775
Other Revenues, Expenses, Gains, or Losses	35,475	26,186		
Net Increase In Net Position	93,886	88,785	4,860	4,775
Net Position, Beginning of Year	1,269,721	1,180,936	120,662	115,887
Net Position, End of Year	\$ 1,363,607	\$ 1,269,721	\$ 125,522	\$ 120,662

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.

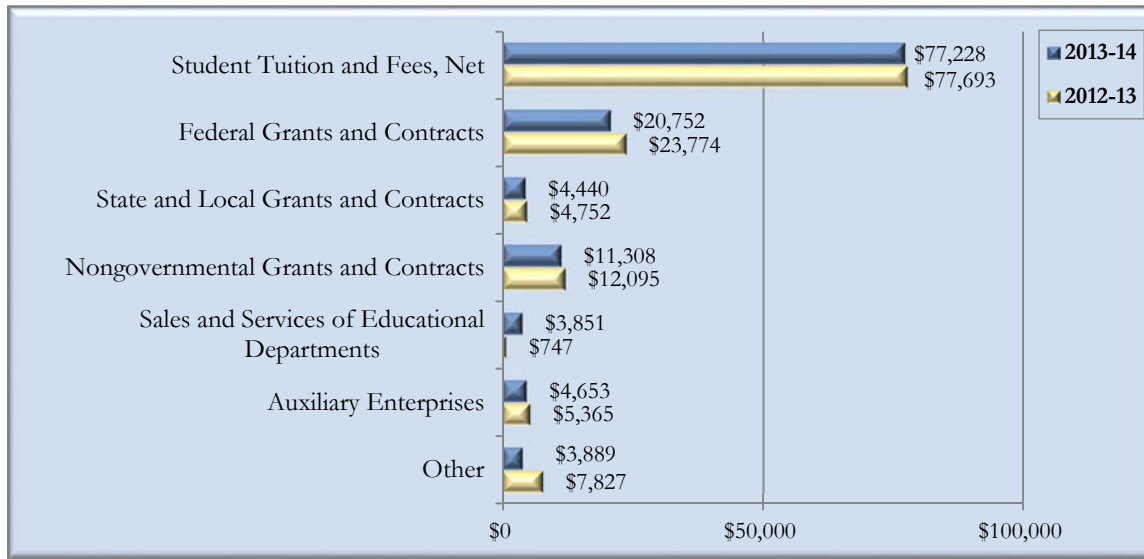
The following summarizes the operating revenues for the College and its component unit by source that were used to fund operating activities for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Student Tuition and Fees, Net	\$ 77,228	\$ 77,693	\$	\$
Federal Grants and Contracts	20,752	23,774		
State and Local Grants and Contracts	4,440	4,752		
Nongovernmental Grants and Contracts	11,308	12,095		
Sales and Services of Educational Departments	3,851	747		
Auxiliary Enterprises	4,653	5,365		
Other	3,889	7,827	5,012	10,393
Total Operating Revenues	\$ 126,121	\$ 132,253	\$ 5,012	\$ 10,393

The following chart presents the College’s operating revenues for the 2013-14 and 2012-13 fiscal years:

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



College operating revenue decreased by \$6.1 million, or 4.6 percent, compared to the 2012-13 fiscal year, primarily as a result of the following factors:

- Federal grants and contracts revenue decreased \$3 million, or 12.7 percent, primarily due to decreases in the Higher Education Institutional Aid, Career and Technical Education, Refugee and Entrant Assistance, and Hazard Mitigation grants during the 2013-14 fiscal year when compared to the prior fiscal year.
- Sales and services of educational departments increased \$3.1 million, or 415.5 percent, primarily due to reclassifications of revenues accounted for in other revenue classifications in prior fiscal years.
- Other operating revenues decreased by \$3.9 million, or 50.3 percent, primarily due to a decrease in the revenues generated from the use of college facilities and a decrease in indirect costs recovered during the 2013-14 fiscal year when compared to the prior fiscal year.

Operating Expenses

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

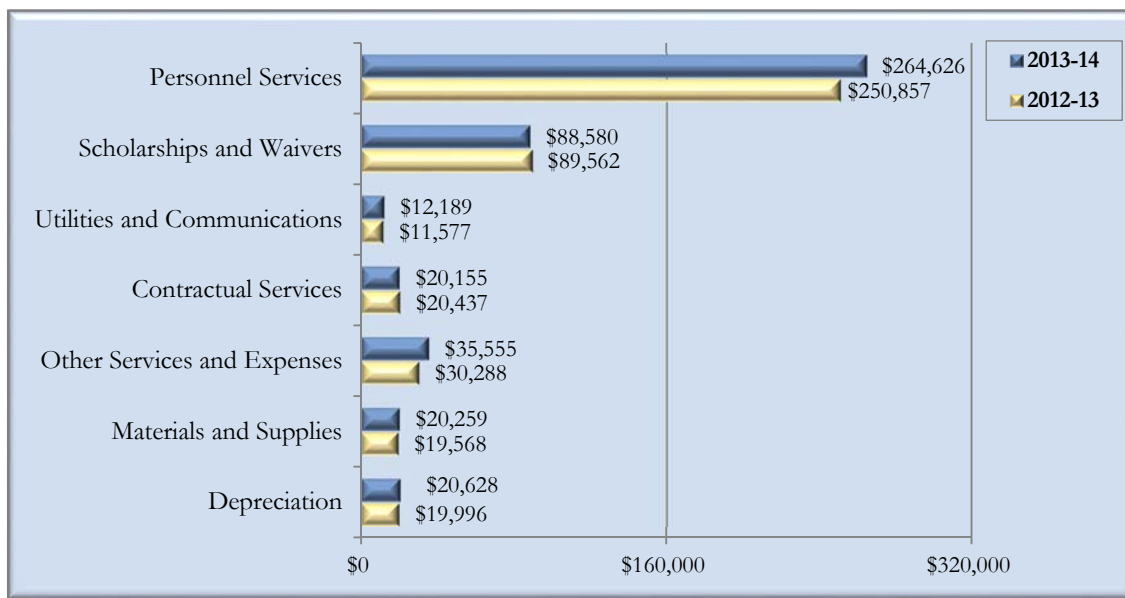
The following summarizes operating expenses by natural classification for the College and its component unit for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Personnel Services	\$ 264,626	\$ 250,857	\$ 2,225	\$ 2,236
Scholarships and Waivers	88,580	89,562	8,372	7,947
Utilities and Communications	12,189	11,577		
Contractual Services	20,155	20,437		
Other Services and Expenses	35,555	30,288	4,559	5,514
Materials and Supplies	20,259	19,568		
Depreciation	20,628	19,996		
Total Operating Expenses	\$ 461,992	\$ 442,285	\$ 15,156	\$ 15,697

The following chart presents the College’s operating expenses for the 2013-14 and 2012-13 fiscal years:

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



College operating expense increased by \$19.7 million, or 4.5 percent, primarily as a result of the following factors:

- Personnel services increased by \$13.8 million, or 5.5 percent, due to an increase in the mandated employer contribution rates for the Florida Retirement System, new positions, an across the board pay increase of 3 percent, and an increase in associated payroll tax and benefits.
- Other services and expenses increased by \$5.3 million, or 17.4 percent, mainly due to increases in bad debt and insurance expenses.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, 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 2013-14 and 2012-13 fiscal years:

**Nonoperating Revenues (Expenses): College
(In Thousands)**

	<u>2013-14</u>	<u>2012-13</u>
State Noncapital Appropriations	\$ 173,331	\$ 166,268
Federal and State Student Financial Aid	187,733	186,167
Investment Income	9,141	11,166
Net Realized and Unrealized Gain on Investments	24,457	9,087
Other Nonoperating Revenues		75
Interest on Capital Asset-Related Debt	<u>(380)</u>	<u>(132)</u>
Net Nonoperating Revenues	<u>\$ 394,282</u>	<u>\$ 372,631</u>

Net nonoperating revenues increased \$21.7 million, or 5.8 percent, as compared to the 2012-13 fiscal year, as a result of the following factors:

- State noncapital appropriations increased by \$7.1 million, or 4.2 percent, which was due to increases of \$3.4 million in Florida College System Program Fund Appropriations and \$3.7 million in Lottery - Community College Program Fund revenues.
- Investment income decreased by \$2 million, or 18.1 percent; and, net realized and unrealized gains increased by \$15.4 million, or 169.1 percent, primarily as a result of an increase in the fair market value of investments.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2013-14 and 2012-13 fiscal years:

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

	<u>2013-14</u>	<u>2012-13</u>
State Capital Appropriations	\$ 16,529	\$ 2,933
Capital Grants, Contracts, Gifts, and Fees	<u>18,946</u>	<u>23,253</u>
Total	<u>\$35,475</u>	<u>\$26,186</u>

Other revenues, expenses, gains, or losses increased by \$9.3 million, or 35.5 percent, compared to the 2012-13 fiscal year, as a result of the following factors:

- State capital appropriations increased by \$13.6 million, or 463.6 percent, primarily as a result of an increase in Public Education Capital Outlay funding.
- Capital grants, contracts, gifts, and fees decreased by \$4.3 million, or 18.5 percent, primarily as a result of reclassifying access and parking fees.

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. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections. The statement of cash flows also helps users assess:

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

The following summarizes the College's cash flows for the 2013-14 and 2012-13 fiscal years:

Condensed Statement of Cash Flows: College
(In Thousands)

	<u>2013-14</u>	<u>2012-13</u>
Cash Provided (Used) by:		
Operating Activities	\$(306,115)	\$ (279,643)
Noncapital Financing Activities	360,190	350,845
Capital and Related Financing Activities	(18,809)	655
Investing Activities	<u>(55,351)</u>	<u>4,063</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(20,085)	75,920
Cash and Cash Equivalents, Beginning of Year	<u>508,566</u>	<u>432,646</u>
Cash and Cash Equivalents, End of Year	<u>\$ 488,481</u>	<u>\$ 508,566</u>

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

During the 2013-14 fiscal year, cash and cash equivalents decreased by \$20.1 million, when compared to the prior fiscal year. The decrease in cash and cash equivalents and a discussion of the categories of cash flows are as follows:

- Net cash used for operating activities was \$306.1 million. This amount included payments for employee salaries and employee benefits of \$219.3 million and \$44.5 million, respectively, payments for scholarships of \$88.6 million, and payments to suppliers of \$76.6 million. These were the four major cash outflows from operating activities. Primary cash inflows from operating activities consisted of net tuition and fees and grants and contracts of \$79 million and \$42.3 million, respectively. Cash used by operating activities increased by \$26.5 million as compared to the prior fiscal year. This net increase in cash used was primarily the result of increases in cash payments to suppliers of \$7.5 million, cash payments to employees of \$11.1 million, and cash payments for employee benefits of \$5.5 million, and a decrease in cash provided from other receipts of \$5.5 million.
- The net cash provided by noncapital financing activities was \$360.2 million. This amount includes cash receipts for State noncapital appropriations of \$173.3 million, Federal and State student financial aid of \$187.6 million, and Federal direct student loan program receipts of \$46.4 million, offset by Federal direct student loan program disbursements of \$47.1 million. Cash provided from noncapital financing activities increased by \$9.3 million as compared to the prior fiscal year. This net increase was primarily the result of an increase in cash received from State noncapital appropriations of \$7.1 million.
- The net cash used by capital and related financing activities was \$18.8 million. This amount includes purchases of capital assets of \$65.1 million, and cash received from State capital appropriations and capital grants and gifts totaling \$27.9 million and \$19.9 million, respectively. The purchases of capital assets reflect construction of facilities and acquisition of furniture, machinery, and equipment and computer software. Cash used by capital and related financing activities increased by \$19.5 million as compared to the prior fiscal year. This net increase in cash used was primarily due to a \$20.4 million increase in purchases of capital assets and a \$4 million decrease in cash received for capital grants and gifts, offset by a \$5.3 million increase in cash received from State capital appropriations.

- The net cash used by investing activities was \$55.4 million, which represents an increase of \$59.4 million in cash used for investing activities from the prior fiscal year. This net increase in cash used was the result of an increase in the net purchase of investments over proceeds from the sale of investments of \$62.6 million from the prior fiscal year, offset by a \$3.2 million increase in cash received from investment income.

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

CAPITAL ASSETS

At June 30, 2014, the College had \$937.7 million in capital assets, less accumulated depreciation of \$396.4 million, for net capital assets of \$541.3 million. Depreciation charges for the current fiscal year totaled \$20.6 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>2014</u>	<u>2013</u>
Land	\$ 96,740	\$ 96,740
Construction in Progress	101,109	68,630
Buildings	638,540	617,315
Other Structures and Improvements	30,502	30,503
Furniture, Machinery, and Equipment	62,303	62,248
Computer Software	8,505	
Total	<u>937,699</u>	<u>875,436</u>
Less: Accumulated Depreciation		
Buildings	315,056	298,995
Other Structures and Improvements	26,519	25,653
Furniture, Machinery, and Equipment	<u>54,775</u>	<u>54,815</u>
Total	<u>396,350</u>	<u>379,463</u>
Capital Assets, Net	<u>\$ 541,349</u>	<u>\$ 495,973</u>

CAPITAL EXPENSES AND COMMITMENTS

Capital expenses totaled \$66 million for the 2013-14 fiscal year, including \$16.2 million for construction of a parking garage and \$13.2 million for renovation and remodeling of Building 1 on the Hialeah Campus, and \$6.4 million for renovation and remodeling of Building 1 on the West Campus. The College had \$23.8 million in major construction commitments at June 30, 2014. The capital commitments are for projects that include classrooms, parking garages, and academic support facilities. State capital appropriations together with local funds are expected to finance these projects. The following table summarizes the College’s major construction commitments at June 30, 2014:

	<u>Amount (In Thousands)</u>
Total Committed	\$120,506
Completed to Date	<u>(96,723)</u>
Balance Committed	<u>\$ 23,783</u>

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

DEBT ADMINISTRATION

As of June 30, 2014, the College had \$0.7 million in State Board of Education (SBE) capital outlay bonds outstanding versus \$1.8 million at the end of the 2012-13 fiscal year, representing a decrease of 59.3 percent.

The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by the College's portion of the State-assessed motor vehicle license tax. During the 2013-14 fiscal year, there were no bond sales and debt repayments totaled \$1.1 million.

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. While increases in student tuition and fees and interest income are expected to partially offset increased expenditures in the 2014-15 fiscal year, expectations of slight increases of State funding in future years are expected to challenge the College financially in this and future years.

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

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A (or other required supplementary information) and financial statements and notes thereto, or requests for additional financial information should be addressed to E.H. Levering, Senior Vice Provost of Business Affairs and Chief Financial Officer, Miami Dade College, 11011 S.W. 104th Street, Miami, Florida 33176.

BASIC FINANCIAL STATEMENTS

**MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION
June 30, 2014**

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 61,967,698	\$ 2,941,084
Restricted Cash and Cash Equivalents	58,152,352	207,183
Cash Collateral Securities Lending	40,313,909	19,700,622
Accounts Receivable, Net	8,740,734	5,496,879
Notes Receivable, Net	3,413,156	
Due from Other Governmental Agencies	28,889,331	
Due from Component Unit/College	2,499,746	472,678
Inventories	89,382	
Prepaid Expenses	1,643,236	
Deposits	77,281	
Other Current Assets		321,120
Total Current Assets	205,786,825	29,139,566
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	368,361,131	5,367,136
Endowment Investments	111,914,587	93,374,236
Restricted Other Investments	191,655,853	
Other Investments	69,585,600	21,216,065
Notes Receivable, Net	12,386,462	
Depreciable Capital Assets, Net	343,500,089	
Nondepreciable Capital Assets	197,848,630	
Total Noncurrent Assets	1,295,252,352	119,957,437
TOTAL ASSETS	1,501,039,177	149,097,003
LIABILITIES		
Current Liabilities:		
Accounts Payable	6,909,237	564,238
Salary and Payroll Taxes Payable	20,660,521	
Retainage Payable	3,281,445	
Due to Other Governmental Agencies	793,998	
Due to Component Unit/College	463,650	3,103,433
Unearned Revenue	18,331,076	
Liability for Cash Collateral Securities Lending	40,313,909	19,700,622
Long-Term Liabilities - Current Portion:		
Bonds Payable	250,000	
Deposits Held for Others	10,326,327	207,183
Compensated Absences Payable	14,753,119	
Total Current Liabilities	116,083,282	23,575,476
Noncurrent Liabilities:		
Bonds Payable	490,000	
Deposits Held for Others	5,000	
Compensated Absences Payable	13,030,533	
Other Postemployment Benefits Payable	7,823,509	
Total Noncurrent Liabilities	21,349,042	
TOTAL LIABILITIES	137,432,324	23,575,476

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2014

	College	Component Unit
NET POSITION		
Net Investment in Capital Assets	\$ 540,608,719	\$
Restricted:		
Nonexpendable:		
Endowment		47,696,375
Expendable:		
Endowment	112,017,818	
Grants and Loans	41,213,473	
Scholarships	5,294,148	73,779,508
Capital Projects	545,021,951	
Debt Service	23,566	
Unrestricted	119,427,178	4,045,644
TOTAL NET POSITION	\$ 1,363,606,853	\$ 125,521,527

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, 2014

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$115,176,307	\$ 77,227,969	\$
Federal Grants and Contracts	20,751,678	
State and Local Grants and Contracts	4,439,504	
Nongovernmental Grants and Contracts	11,308,432	
Sales and Services of Educational Departments	3,850,915	
Auxiliary Enterprises	4,653,122	
Other Operating Revenues	3,889,415	5,011,499
Total Operating Revenues	126,121,035	5,011,499
EXPENSES		
Operating Expenses:		
Personnel Services	264,625,953	2,225,394
Scholarships and Waivers	88,580,313	8,371,454
Utilities and Communications	12,188,989	
Contractual Services	20,154,697	
Other Services and Expenses	35,555,377	4,559,193
Materials and Supplies	20,259,355	
Depreciation	20,627,556	
Total Operating Expenses	461,992,240	15,156,041
Operating Loss	(335,871,205)	(10,144,542)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	173,331,171	
Federal and State Student Financial Aid	187,733,208	
Investment Income	9,140,775	1,015,614
Net Realized and Unrealized Gain on Investments	24,457,426	13,988,396
Other Nonoperating Expenses	(440)	
Interest on Capital Asset-Related Debt	(379,977)	
Net Nonoperating Revenues	394,282,163	15,004,010
Income Before Other Revenues, Expenses, Gains, or Losses	58,410,958	4,859,468
State Capital Appropriations	16,528,807	
Capital Grants, Contracts, Gifts, and Fees	18,945,417	
Total Other Revenues	35,474,224	
Increase in Net Position	93,885,182	4,859,468
Net Position, Beginning of Year	1,269,721,671	120,662,059
Net Position, End of Year	\$ 1,363,606,853	\$ 125,521,527

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

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 79,002,923
Grants and Contracts	42,344,917
Payments to Suppliers	(76,583,226)
Payments for Utilities and Communications	(12,188,989)
Payments to Employees	(219,251,134)
Payments for Employee Benefits	(44,535,779)
Payments for Scholarships	(88,580,313)
Loans Issued to Students	(27,382,529)
Collection on Loans to Students	28,362,324
Sales and Service of Educational Departments	3,850,915
Auxiliary Enterprises	4,653,122
Other Receipts	4,192,909
	(306,114,860)
Net Cash Used by Operating Activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	173,331,171
Federal and State Student Financial Aid	187,600,242
Federal Direct Loan Program Receipts	46,387,211
Federal Direct Loan Program Disbursements	(47,128,841)
	360,189,783
Net Cash Provided by Noncapital Financing Activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	27,886,615
Capital Grants and Gifts	19,854,685
Purchases of Capital Assets	(65,089,505)
Principal Paid on Capital Debt	(1,080,000)
Interest Paid on Capital Debt	(379,977)
Other Payments	(440)
	(18,808,622)
Net Cash Used by Capital and Related Financing Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	187,290,177
Purchase of Investments	(256,961,550)
Investment Income	14,320,397
	(55,350,976)
Net Cash Used by Investing Activities	
Net Decrease in Cash and Cash Equivalents	
Cash and Cash Equivalents, Beginning of Year	508,565,856
	(20,084,675)
Cash and Cash Equivalents, End of Year	\$ 488,481,181

**MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2014**

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (335,871,205)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	20,627,556
Changes in Assets and Liabilities:	
Accounts Receivable, Net	131,280
Notes Receivable, Net	979,795
Due from Other Governmental Agencies	(727,166)
Due from Component Unit	1,339,560
Inventories	(33,554)
Prepaid Expenses	(1,299,293)
Accounts Payable	487,151
Salaries and Payroll Taxes Payable	(1,568,802)
Unearned Revenue	7,136,932
Deposits Held for Others	(47,767)
Due to Other Governmental Agencies	235,562
Due to Component Unit	(6,015)
Compensated Absences Payable	1,834,839
Other Postemployment Benefits Payable	666,267
NET CASH USED BY OPERATING ACTIVITIES	\$ (306,114,860)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES	
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 19,277,804

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

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Miami Dade College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of seven members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by law and State Board of Education rules. However, the District Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and State Board of Education rules. Geographic boundaries of the District correspond with those of Miami-Dade County.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the District Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the District Board of Trustees are such that exclusion would cause the College's financial statements to be misleading. Based upon the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2014.

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

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

- Management's Discussion and Analysis

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income, and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

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

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash invested with State Treasury Special Purpose Investment Account (SPIA) and the State Board of Administration (SBA) Florida PRIME investment pools. For reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury 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, 2014, the College reported as cash equivalents at fair value \$272,329,950 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 2.57 years, and fair value factor of 1.0074 at June 30, 2014. 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, 2014, the College reported as cash equivalents at fair value \$202,853,096 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2014, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 40 days as of June 30, 2014. 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

**MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year.

2. INVESTMENTS

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

Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The Board of Trustees also adopted an investment policy for the management of endowment assets and other investments, which include investment objectives, permitted types of securities in which the Board may invest, and evaluation criteria necessary to measure the investment performance of the plan. Additionally, the College's investment policy provides that the goal of the investment program is to provide a real total return from assets invested that will preserve the purchasing power of endowment assets and other investments, while generating an income stream sufficient to support the established spending requirements. Investments are to be related to the short-, mid-, and long-term needs of the College, while considering the probable safety of their capital as well as

**MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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 2013-14 fiscal year, moneys of the Endowment Fund were invested by 11 investment managers, and other investments were invested by 7 investment managers.

Endowment investments and other investments are reported at a fair value of \$111,914,587 and \$261,241,453, respectively. The reporting of endowment investments and other investments at fair value resulted in unrealized gains of \$11,487,209 and \$5,141,659, respectively.

The College’s investments at June 30, 2014, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Alternative Hedge Funds	\$ 111,595,177 (1)
Domestic Corporate Bonds and Notes	60,205,324
Domestic Stocks and Other Equity Securities	48,928,182
United States Government Obligations	43,667,898
Federal Agency Obligations	36,521,621
International Equities	34,935,574
International Corporate Bonds and Notes	18,138,959
Money Market Funds	12,290,829
International Government Obligations	6,256,124
State Board of Administration Fund B	
Surplus Funds Trust Fund	592,786
State Board of Administration Debt Service	
Accounts	<u>23,566</u>
Total College Investments	<u>\$ 373,156,040</u>

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

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

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

**MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

persons of prudence, discretion, and intelligence exercise in the management of their own affairs. At June 30, 2014, the College had investments in debt securities and money market funds as follows:

Average Durations	Fair Value	College Investment Durations					
		Investment Types (1)					
		United States Government Obligations	International Government Obligations	Federal Agency Obligations	Domestic Corporate Bonds and Notes	International Corporate Bonds and Notes	Money Markets Funds
Endowment Investments:							
No More Than 397 Days (2)	\$ 6,036,180	\$	\$	\$	\$	\$	\$ 6,036,180
1.6 Years	5,937,952		5,937,952				
5.6 Years	5,190,468	1,211,674		1,843,019	1,775,666	360,109	
Other Investments:							
No More Than 397 Days (2)	6,254,649						6,254,649
3.57 Years	46,024,716	15,744,374	318,172	9,375,207	16,586,636	4,000,327	
3.9 Years	95,619,005	23,761,460		21,727,039	37,411,201	12,719,305	
5.8 Years	12,017,785	2,950,390		3,576,356	4,431,821	1,059,218	
Total	\$ 177,080,755	\$ 43,667,898	\$ 6,256,124	\$ 36,521,621	\$ 60,205,324	\$ 18,138,959	\$ 12,290,829

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 Markets. 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, 2014, the College had investments with quality ratings by nationally recognized rating agencies (e.g., Standard & Poor’s), as follows:

Investment Type (1)	College Investments With Quality Rating				Rating Unavailable
	Fair Value	AA-/Aa3/AA-	A	AA-	
Endowment Investments:					
Domestic Corporate Bonds and Notes	\$ 1,775,666	\$	\$	\$ 1,775,666	\$
International Corporate Bonds and Notes	360,109			360,109	
Federal Agency Obligations	1,665,243			1,665,243	
International Government Obligations	5,937,952		5,937,952		
Money Market Funds	517,772				517,772
Other Investments:					
Domestic Corporate Bonds and Notes	58,429,658	16,586,636		41,843,022	
International Corporate Bonds and Notes	17,778,850	4,000,327		13,778,523	
Federal Agency Obligations	30,676,952	9,314,677		21,362,275	
United States Government Obligations	2,436,412	2,436,412			
International Government Obligations	318,172	318,172			
Money Market Funds	6,194,446				6,194,446
Total	\$ 126,091,232	\$ 32,656,223	\$ 5,937,952	\$ 80,784,838	\$ 6,712,218

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.

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

The College's other investments at June 30, 2014, had a weighted average credit rating lower than AA due to investments of \$94,220,915 in alternative hedge funds, \$6,488,032 in international equities, and \$6,254,649 in money markets funds 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 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 \$111,595,177 in alternative hedge funds, \$14,431,078 in domestic stocks and other equity securities, \$34,476,534 in international equities, \$5,937,952 in international government obligations, as well as \$3,026,619 in money market funds 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 50 to 70 percent in domestic equity securities, 5 to 20 percent in international equity securities, and 20 to 40 percent in domestic fixed-income securities. In addition, each domestic fixed-income manager can invest up to 10 percent of its respective portfolio in certain international securities as long as the total international equity securities and international fixed-income securities do not exceed 20 percent of total endowment investments. The College's investment policy for other investments provides 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.

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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, 2014, the College had loaned certain securities, with fair value of \$39,475,092 and had received cash collateral of \$40,313,909 for the loaned securities. As of June 30, 2014, the College had net investment income of \$65,718 for securities lending transactions.

Securities Lending - Investments Lent and Collateral Received (at Fair Value)		
Securities Lent	Fair Value of Underlying Securities	Cash Collateral Investment Value
For Cash Collateral (Endowment):		
Corporate Bonds	\$ 298,427	\$ 304,666
United States Government Obligations	725,342	739,525
Stock and Other Equity Securities	14,326,112	14,634,132
For Cash Collateral (Other Investments):		
United States Government Obligations	12,002,137	12,244,829
Corporate Bonds	12,123,074	12,390,757
Total	\$ 39,475,092	\$ 40,313,909

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, 2014, 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 Fund B Surplus Funds Trust Fund. The Fund B Surplus Funds Trust Fund (Fund B) is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, and is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME investment pool, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B on December 4, 2007. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

At June 30, 2014, the College reported investments at fair value of \$592,786 for amounts held in Fund B. The College’s investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.84438408 at June 30, 2014. The weighted-average life (WAL) of Fund B at June 30, 2014, was 2.86 years. A portfolio’s WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2014. WAL measures the sensitivity of Fund B to interest rate changes. The College’s investment in Fund B is unrated.

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State Board of Administration Debt Service Accounts. The College reported investments totaling \$23,566 at June 30, 2014, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Unit Investments

Investments held by the Foundation are composed of 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 \$114,590,301. This includes investments totaling \$37,453,044, 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.

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 component unit's statements of financial position. Earnings on the invested collateral, net of expense, are recorded as other income in the component unit's statement of activities.

3. QUASI-ENDOWMENT FUND

Pursuant to a referendum held in September 1992, Miami-Dade County was authorized to exceed the constitutional millage limitation and levy an ad valorem tax of $\frac{3}{4}$ of a mill for a two-year period for the purpose of maintenance, improvement, and expansion of occupational, vocational, and educational programs at the College. The funds generated by this referendum were approximately \$94 million and were invested and deposited in the College's quasi-endowment fund, of which the Board established a maximum annual withdrawal of \$9.5 million for use by the College. At June 30, 2014, the College reported quasi-endowment investments of approximately \$112 million.

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4. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferrals, various student services provided by the College, return checks, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$2,586,049 allowance for doubtful accounts.

5. NOTES RECEIVABLE

Notes receivable represent student loans made under the Federal Perkins Loan Program of \$13,613,570, Federal Nursing Student Loan Program of \$42,319, a short-term loan program of \$4,154,826, and an emergency loan program of \$7,332. Notes receivable are reported net of a \$2,018,429 allowance for doubtful notes.

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$11,016,815 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$8,618,489 due from Federal and State governments for reimbursement of expenditures for grants and contracts.

7. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The \$463,650 reported as due to component unit consists of amounts owed by the College to the Miami Dade College Foundation, Inc., (Foundation) pursuant to an agreement to support the Foundation's operations. The \$2,499,746 due from component unit consists of amounts owed to the College by the Foundation for scholarships and student aid. The College's financial statements are reported for the fiscal year ended June 30, 2014. The College's component unit's financial statements are reported for the fiscal year ended March 31, 2014. 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.

8. INVENTORIES

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

9. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, is shown below:

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Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 96,739,942	\$	\$	\$ 96,739,942
Construction in Progress	68,629,986	41,294,064	8,815,362	101,108,688
Total Nondepreciable Capital Assets	\$ 165,369,928	\$ 41,294,064	\$ 8,815,362	\$ 197,848,630
Depreciable Capital Assets:				
Buildings	\$ 617,315,504	\$ 21,224,403	\$	\$ 638,539,907
Other Structures and Improvements	30,502,658			30,502,658
Furniture, Machinery, and Equipment	62,248,190	3,812,063	3,757,706	62,302,547
Computer Software		8,504,962		8,504,962
Total Depreciable Capital Assets	710,066,352	33,541,428	3,757,706	739,850,074
Less, Accumulated Depreciation:				
Buildings	298,995,104	16,061,271		315,056,375
Other Structures and Improvements	25,653,562	865,192		26,518,754
Furniture, Machinery, and Equipment	54,814,758	3,701,093	3,740,995	54,774,856
Total Accumulated Depreciation	379,463,424	20,627,556	3,740,995	396,349,985
Total Depreciable Capital Assets, Net	\$ 330,602,928	\$ 12,913,872	\$ 16,711	\$ 343,500,089

10. SALARY AND PAYROLL TAXES PAYABLE

Salary and payroll taxes payable as of June 30, 2014, totaled \$20,660,521. This amount includes \$9,178,869 of salary and payroll taxes and \$11,481,652 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.

11. UNEARNED REVENUE

Unearned revenue includes restricted grants and contracts revenue and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. Restricted grants and contracts primarily consist of private donations designated for scholarships. As of June 30, 2014, the College reported the following amounts as unearned revenue:

Description	Amount
Student Tuition and Fees	\$ 976,388
Restricted Grants and Contracts	17,354,688
Total Unearned Revenue	\$ 18,331,076

12. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2014, include bonds payable, deposits held for others, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2014, is shown below:

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Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 1,820,000	\$	\$ 1,080,000	\$ 740,000	\$ 250,000
Deposits Held for Others	10,379,095	502,607,436	502,655,204	10,331,327	10,326,327
Compensated Absences Payable	25,948,813	15,614,944	13,780,105	27,783,652	14,753,119
Other Postemployment Benefits Payable	7,157,242	1,608,479	942,212	7,823,509	
Total Long-Term Liabilities	\$ 45,305,150	\$ 519,830,859	\$ 518,457,521	\$ 46,678,488	\$ 25,329,446

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, 2014:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2005A	\$ 20,000	5	2016
Series 2005B	535,000	5	2018
Series 2009A	80,000	5	2019
Series 2011A	105,000	5	2015
Total	\$ 740,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds		
	Principal	Interest	Total
2015	\$ 250,000	\$ 37,000	\$ 287,000
2016	155,000	24,500	179,500
2017	155,000	16,750	171,750
2018	160,000	9,000	169,000
2019	20,000	1,000	21,000
Total	\$ 740,000	\$ 88,250	\$ 828,250

Deposits Held for Others. Deposits held for others primarily represent funds on deposit in the Agency Fund, which are derived from fund-raising activities of third parties, such as independent councils, student groups, and similar clubs. The funds are expended for purposes consistent with and supportive of the objectives of the third party or its members. As of June 30, 2014, the College reported a total liability of \$10,331,327, of which \$10,326,327 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

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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, 2014, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$27,783,652. The current portion of the compensated absences liability, \$14,753,119, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for other postemployment benefits administered by the College.

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer, defined-benefit plan administered by the College. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's health and hospitalization plan for medical and prescription drug coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees. The benefits provided under this defined-benefit plan are provided for a maximum of seven years or until the retiree reaches age 65, whichever occurs earlier. The premium discount is determined at the time of retirement based on the number of years worked for the College. Additional plan benefits include life, dental, and legal insurance, and are provided to retirees on a full cost basis, without an implicit subsidy. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The College does not issue a stand-alone report and the Plan is not included in the annual report of a public employee's retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 165 retirees received other postemployment benefits (i.e., medical and prescription drugs). While retirees are eligible to participate in additional benefits through the College, these benefits are not subsidized. The College provided required contributions of \$942,212 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$1,534,154, which represents 1.16 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

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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)	\$ 925,319
Amortization of Unfunded Actuarial Accrued Liability	<u>635,445</u>
Annual Required Contribution	1,560,764
Interest on Net OPEB Obligation	286,290
Adjustment to Annual Required Contribution	<u>(238,575)</u>
Annual OPEB Cost (Expense)	1,608,479
Contribution Toward the OPEB Cost	<u>(942,212)</u>
Increase in Net OPEB Obligation	666,267
Net OPEB Obligation, Beginning of Year	<u>7,157,242</u>
Net OPEB Obligation, End of Year	<u><u>\$ 7,823,509</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, 2014, and for the two preceding fiscal years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011-12	\$ 1,277,652	70.22%	\$ 6,708,336
2012-13	1,325,153	66.12%	7,157,242
2013-14	1,608,479	58.58%	7,823,509

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 \$132,478,287 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.39 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,

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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, 2014, and the College's 2013-14 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. 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 8.5 percent pre-Medicare and 6.5 percent Medicare for the 2013-14 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 5 years pre-Medicare and 4 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, 2014, was 23 years.

13. RETIREMENT PROGRAMS

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost of living adjustments.

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

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FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$9,841,105, \$10,486,114 and \$14,523,435, respectively, which were equal to the required contributions for each fiscal year.

There were 576 College participants in the Investment Plan during the 2013-14 fiscal year. The College’s contributions including employee contributions to the Investment Plan totaled \$2,836,923, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services’ Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required

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supplementary information, actuarial report, and other relevant information, is available from the Florida Division of Retirement’s Web site (www.frs.myflorida.com).

14. CONSTRUCTION COMMITMENTS

The College’s major construction commitments at June 30, 2014, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Hialeah Campus:			
Parking Garage	\$ 20,777,292	\$ 17,122,622	\$ 3,654,670
Building 1 Remodeling/Renovation	25,666,394	17,236,478	8,429,916
West Campus:			
Parking Garages	24,467,935	13,577,566	10,890,369
Building 1 Remodeling/Renovation	16,760,004	16,410,241	349,763
Wolfson Campus:			
Building 8 Classroom Facility	32,834,416	32,376,195	458,221
Total	<u>\$ 120,506,041</u>	<u>\$ 96,723,102</u>	<u>\$ 23,782,939</u>

15. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage for property insurance of up to \$125 million to February 28, 2014, and up to \$150 million from March 1, 2014. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers’ compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

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

16. LITIGATION

The College is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the College’s legal counsel and management, should not materially affect the College’s financial position.

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JUNE 30, 2014**

17. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 153,160,356
Public Services	7,155,231
Academic Support	39,848,580
Student Services	33,979,651
Institutional Support	57,324,386
Operation and Maintenance of Plant	53,103,884
Scholarships and Waivers	88,580,313
Depreciation	20,627,556
Auxiliary Enterprises	<u>8,212,284</u>
Total Operating Expenses	<u>\$ 461,992,240</u>

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
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%

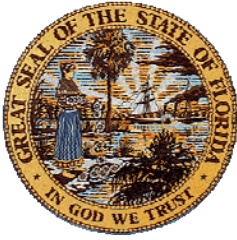
Note: (1) The College's OPEB actuarial valuation used the entry age cost method for the actuarial valuation dated January 1, 2010, and the projected unit credit method for the actuarial valuations dated July 1, 2011, and July 1, 2013, to estimate the actuarial accrued liability.

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

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.



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

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

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Miami Dade College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2014, 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 23, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 23, 2015