



AUDITOR GENERAL
DAVID W. MARTIN, CPA



MIAMI DADE COLLEGE

Financial Audit

For the Fiscal Year Ended June 30, 2007

During the audit period, the President of the College was Dr. Eduardo J. Padron. Members of the College's Board of Trustees who served during the audit period are listed below:

Board Member

Helen Aguirre Ferre, Chair
Henry Klein, Vice-Chair
Cesar L. Alvarez to 3-06-07
Armando J. Bucelo, Jr.
Carolina Calderin to 3-06-07
Mirta Canton from 3-07-07
Benjamin Leon, III, from 3-07-07
Denise Mincey-Mills to 8-31-06
Peter W. Roulhac
Marielena Villamil from 9-01-06

MIAMI DADE COLLEGE

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EXECUTIVE SUMMARY

The audit of the financial statements of Miami Dade College for the fiscal year ended June 30, 2007, was conducted pursuant to the provisions of Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The scope of this audit included an examination of the financial statements of the College, a component unit of the State of Florida, and a determination as to whether management complied with applicable laws, rules, regulations, contracts, and grant agreements and other matters that are material to the financial statements. An examination of Federal awards administered by the College is included in our Statewide audit of Federal awards administered by the State of Florida.

The following provides a summary of the findings of our audit of the College's financial statements:

- We found that the College's financial statements presented fairly, in all material respects, the financial positions of the College and its discretely presented component unit as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended.
- No significant deficiencies are noted in our report on the College's internal control over financial reporting.
- The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This audit was coordinated by Pierre Chammas and supervised by Ramon A. Gonzalez, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at tedsauerbeck@aud.state.fl.us or by telephone at (850) 487-4468.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.myflorida.com/audgen>); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Miami Dade College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2007, as shown on pages 16 through 37. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for this entity, is based solely upon the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Miami Dade College and of its discretely presented component unit as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 5 through 15 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA
February 4, 2008



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

We have audited the financial statements of Miami Dade College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2007, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the

College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

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

Compliance and Other Matters

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

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



David W. Martin, CPA
February 4, 2008

MANAGEMENT’S DISCUSSION AND ANALYSIS

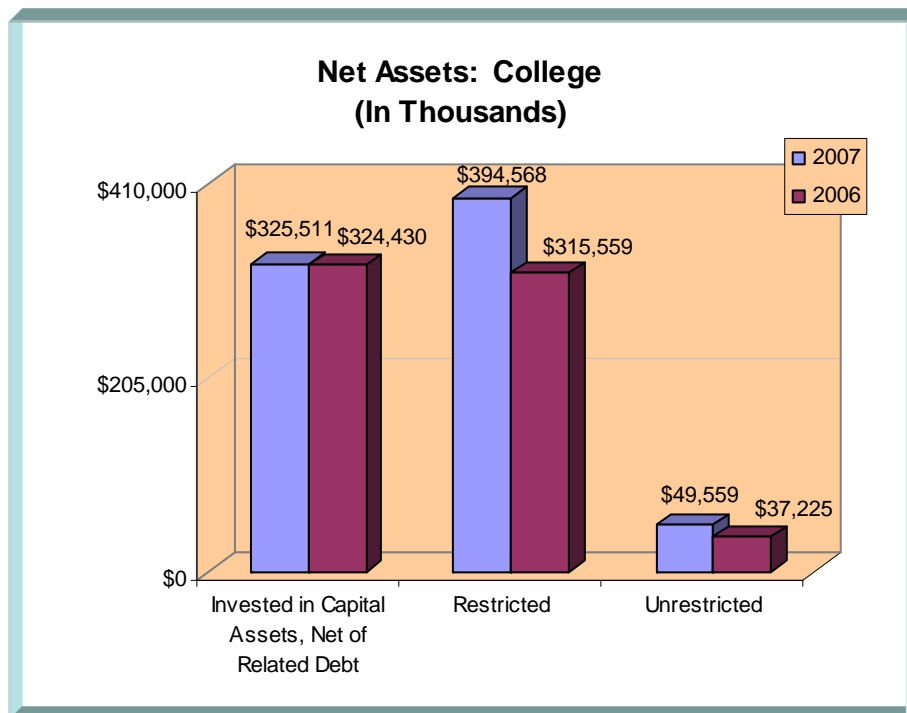
The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2007, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

The MD&A contains financial activities of the College for the fiscal years ended June 30, 2007, and June 30, 2006, and its component unit, the Miami Dade College Foundation, Inc., for the fiscal year ended June 30, 2007, and the nine-month period ended March 31, 2006. As discussed in note 1 to the financial statements, the Foundation changed its fiscal year from July through June, to April through March. This change affects the comparability of the amounts reported between current and previous reporting periods.

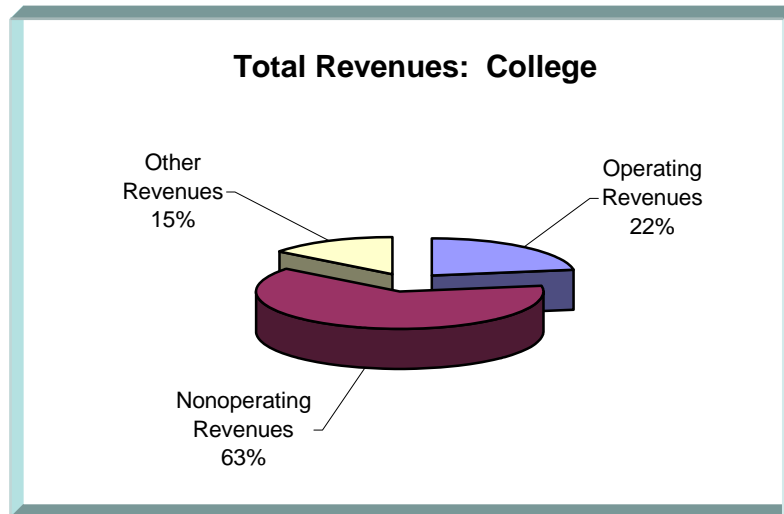
FINANCIAL HIGHLIGHTS

The College’s financial position improved during the fiscal year ended June 30, 2007, as reflected by a \$92.4 million, or 13.6 percent, increase in net assets from the 2005-06 fiscal year.

The College’s comparative total net assets by category for the fiscal years ended June 30, 2007, and June 30, 2006, are shown in the following graph:



The following chart provides a graphical representation of the College revenues by category for the 2006-07 fiscal year:



For the fiscal year ended June 30, 2007, College revenue and other support exceeded expenses, creating an increase in net assets of \$92.4 million (compared to a \$46.6 million increase in the 2005-06 fiscal year. Nonoperating revenues represent 63 percent of total revenues and are comprised of state appropriations, gifts and grants, and investment income with a purpose of supporting operating expenses.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Assets, Liabilities, and Net Assets at (In Thousands)				
	College		Component Unit	
	6-30-07	6-30-06	3-31-07	3-31-06
Assets				
Current Assets	\$ 181,084	\$ 158,532	\$ 28,634	\$ 18,987
Capital Assets, Net	332,624	330,831	66	76
Other Noncurrent Assets	<u>330,838</u>	<u>261,757</u>	<u>80,992</u>	<u>74,258</u>
Total Assets	<u>844,546</u>	<u>751,120</u>	<u>109,692</u>	<u>93,321</u>
Liabilities				
Current Liabilities	51,189	50,421	3,506	3,869
Noncurrent Liabilities	<u>23,719</u>	<u>23,485</u>		
Total Liabilities	<u>74,908</u>	<u>73,906</u>	<u>3,506</u>	<u>3,869</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	325,511	324,430		
Restricted	394,568	315,559	100,696	85,972
Unrestricted	<u>49,559</u>	<u>37,225</u>	<u>5,490</u>	<u>3,480</u>
Total Net Assets	<u>\$ 769,638</u>	<u>\$ 677,214</u>	<u>\$ 106,186</u>	<u>\$ 89,452</u>
Increase in Net Assets	<u>\$ 92,424</u>	13.6%	<u>\$ 16,734</u>	18.7%

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

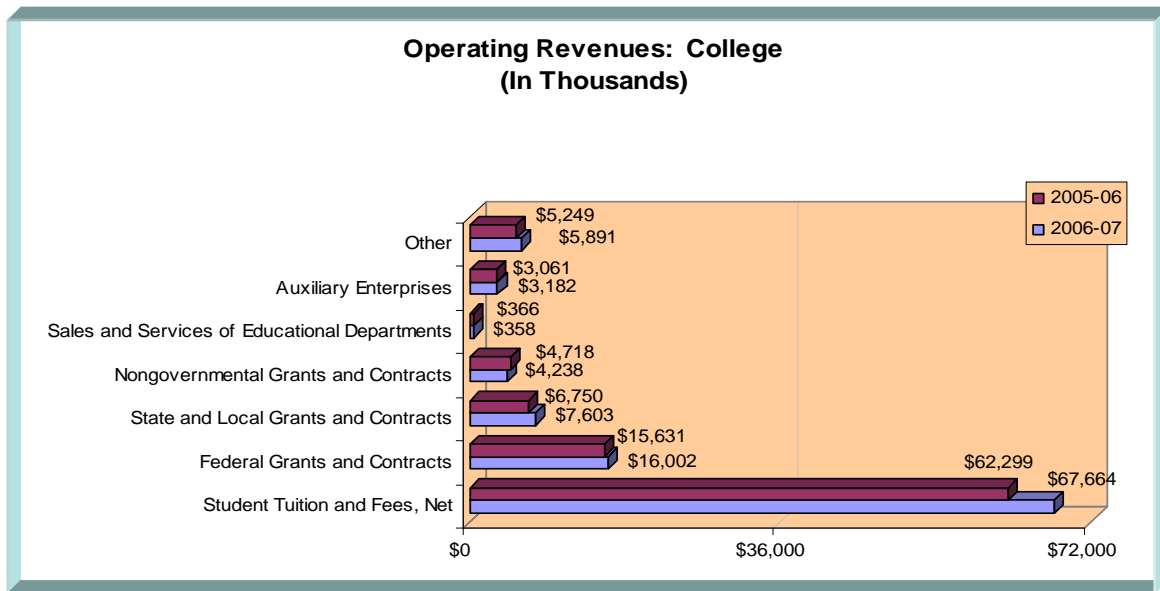
Operating Results for the Respective Periods Ended (In Thousands)				
	<u>College</u>		<u>Component Unit</u>	
	<u>6-30-07</u>	<u>6-30-06</u>	<u>3-31-07</u>	<u>3-31-06 (1)</u>
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 67,664	\$ 62,299	\$	\$
Federal Grants and Contracts	16,002	15,631		
State and Local Grants and Contracts	7,603	6,750	8,183	3,089
Nongovernmental Grants and Contracts	4,238	4,718		
Sales and Services of Educational Departments	358	366		
Auxiliary Enterprises	3,182	3,061		
Other Operating Revenues	5,891	5,249	9,662	7,102
Total Operating Revenues	104,938	98,074	17,845	10,191
Less, Operating Expenses	375,534	361,215	10,361	7,839
Operating Income (Loss)	(270,596)	(263,141)	7,484	2,352
Nonoperating Revenues (Expenses)				
State Appropriations	180,806	159,856		
Other Nonoperating Revenues	114,389	100,135	9,250	7,592
Nonoperating Expenses	(431)	(1,164)		
Net Nonoperating Revenues	294,764	258,827	9,250	7,592
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
	24,168	(4,314)	16,734	9,944
Capital Appropriations	61,157	45,465		
Capital Grants, Contracts, Gifts, and Fees	6,353	3,962		
Additions to Permanent Endowments	746	1,500		
Increase in Net Assets	92,424	46,613	16,734	9,944
Net Assets, Beginning of Year	677,214	630,601	89,452	79,508
Net Assets, End of Year	\$ 769,638	\$ 677,214	\$ 106,186	\$ 89,452

Note: (1) Amounts are for the nine-month period ended March 31, 2006.

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 give up or receive something of equal or similar value.

The following chart presents the College’s operating revenues for the 2006-07 and 2005-06 fiscal years:



College operating revenues increased by \$6.9 million, or 7 percent, compared to the prior fiscal year. Changes were the result of the following factors:

- Student tuition and fee revenue, net of scholarship allowances, increased by \$5.4 million, or 8.6 percent. The increase resulted from an increase in the student fee rate approved by the District Board of Trustees and was offset by a slight decrease in full-time equivalent student enrollment.
- Operating revenue from Federal, State, and local governments increased by \$1.2 million, or 5.5 percent, primarily due to an increase in grants and contracts from State sources compared to 2005-06 fiscal year.
- Revenues from nongovernmental and private grants and contracts decreased by \$.5 million, or 10.2 percent.
- Revenue from sales and services of educational departments and auxiliary enterprises remained materially unchanged compared to the 2005-06 fiscal year, while other operating revenues increased by \$.6 million, or 12.2 percent.

Operating Expenses

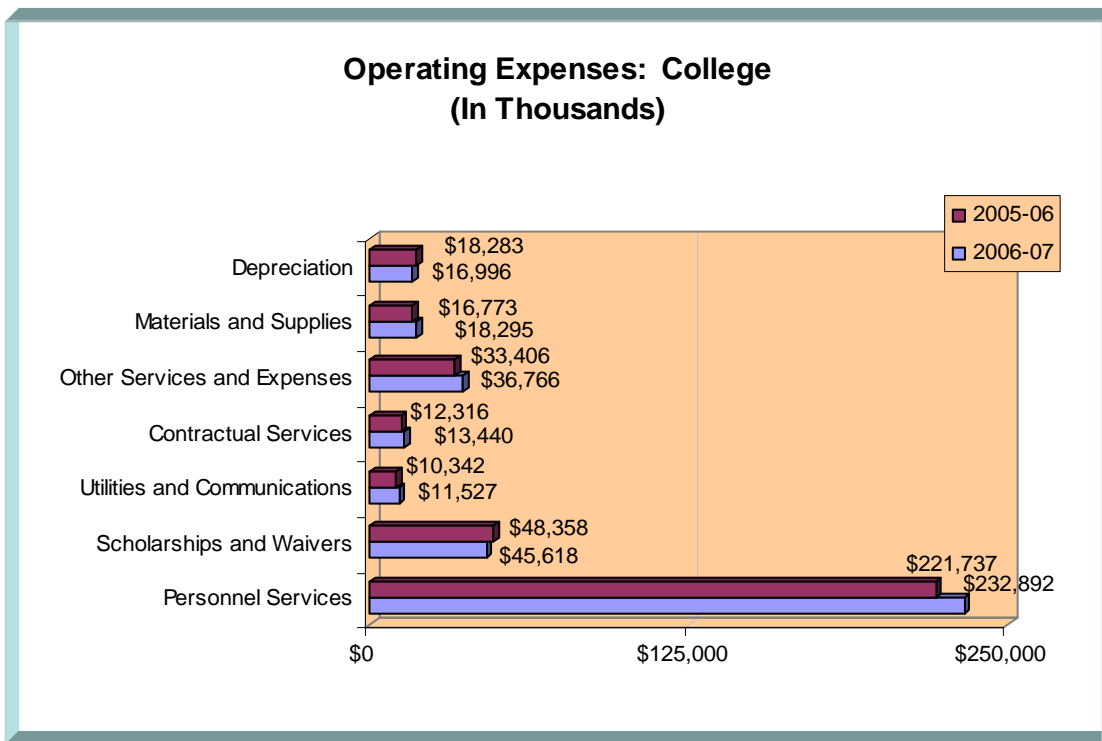
Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen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

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

Operating Expenses for the Respective Periods Ended (In Thousands)				
	College		Component Unit	
	6-30-07	6-30-06	3-31-07	3-31-06 (1)
Operating Expenses				
Personnel Services	\$ 232,892	\$ 221,737	\$ 860	\$ 1,408
Scholarships and Waivers	45,618	48,358	6,259	4,120
Utilities and Communications	11,527	10,342		
Contractual Services	13,440	12,316		
Other Services and Expenses	36,766	33,406	3,232	2,302
Materials and Supplies	18,295	16,773		
Depreciation	16,996	18,283	10	9
Total Operating Expenses	\$ 375,534	\$ 361,215	\$ 10,361	\$ 7,839

Note: (1) Amounts are for the nine-month period ended March 31, 2006.

The following chart presents the College’s operating expenses for the 2006-07 and 2005-06 fiscal years:



College operating expenses increased by \$14.3 million, or 4 percent, compared to the prior fiscal year. Changes were the result of the following factors:

- Personnel services expenditures increased by \$11.2 million, or 5 percent, due primarily to a 4 percent annual increase in base salary, coupled with an increase in costs associated with medical insurance and other benefits provided by the College.
- Scholarships and waivers decreased by \$2.7 million, or 5.7 percent, principally due to a decrease in Federal Pell Grant awards reported by the College, a result of declining enrollment.

- Utilities and communications expenses increased by \$1.2 million, or 11.5 percent. This increase is mainly attributable to higher usage rates for these services, as expected.
- Contracted services and other services and expenses, in combination, increased by \$4.5 million, or 9.8 percent, primarily due to a rise in the use and unit cost of contracted and other services procured in the 2006–07 fiscal year, compared to cost in the 2005–06 fiscal year.
- Materials and supplies expenses increased by \$1.5 million, or 9.1 percent. This increase is reflective of increased costs of educational supplies and other commodity products.
- Depreciation expense decreased by \$1.3 million, or 7 percent.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2006-07 and 2005-06 fiscal years:

Nonoperating Revenues (Expenses): College (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
State Appropriations	\$ 180,806	\$ 159,856
Gifts and Grants	82,827	86,194
Investment Income	29,145	13,941
Interest on Capital Asset-Related Debt	(431)	(446)
Other Nonoperating Revenues (Expenses)	<u>2,417</u>	<u>(718)</u>
Net Nonoperating Revenues	<u><u>\$ 294,764</u></u>	<u><u>\$ 258,827</u></u>

College net nonoperating revenues increased by \$35.9 million compared to the 2005-06 fiscal year. State appropriations and investment income increased by \$21 million and \$15.2 million, respectively, while gifts and grants decreased by \$3.4 million. Other nonoperating revenues increased by \$3.1 million primarily as a result of the recognition of insurance recoveries related to damages caused by hurricanes in recent years.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2006-07 and 2005-06 fiscal years:

Other Revenues, Expenses, Gains, or Losses: College (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
Capital Appropriations	\$ 61,157	\$ 45,465
Capital Grants, Contracts, Gifts, and Fees	6,353	3,962
Additions to Permanent Endowments	<u>746</u>	<u>1,500</u>
Total	<u><u>\$ 68,256</u></u>	<u><u>\$ 50,927</u></u>

College other revenues, expenses, gains, or losses increased by \$17.3 million, or 34 percent, compared to the prior fiscal year. Changes were the result of the following factors:

- Capital appropriations increased by \$15.7 million, or 34.5 percent, as a result of an increase in State funding in support of capital projects.
- Capital grants, contracts, gifts, and fees increased by \$2.4 million, or 60.4 percent, primarily as a result of an increase in the capital improvement fee rate approved by the College’s Board of Trustees.
- Additions to permanent endowments decreased by \$.8 million, or 50.3 percent, as a result of market fluctuations that affected the recognition of interest income and dividends compared to the 2005-06 fiscal year.

THE STATEMENT OF CASH FLOWS

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

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

A summary of the College’s cash flows for the 2006-07 and 2005-06 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
Cash Provided (Used) by:		
Operating Activities	\$(254,611)	\$(251,515)
Noncapital Financing Activities	264,378	251,448
Capital and Related Financing Activities	27,579	27,133
Investing Activities	<u>(14,996)</u>	<u>38,219</u>
Net Increase in Cash and Cash Equivalents	22,350	65,285
Cash and Cash Equivalents, Beginning of Year	<u>144,928</u>	<u>79,643</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 167,278</u></u>	<u><u>\$ 144,928</u></u>

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

During the 2006-07 fiscal year, cash and cash equivalents increased by \$22.4 million. The increase is primarily due to an overall increase in revenues during the fiscal year.

The net cash used for operating activities was \$254.6 million. Included in the calculation of this total are payments for employee salaries and benefits of \$190.4 million and \$40.8 million, respectively, payments for scholarships of \$45.6 million, and payments to suppliers of \$68.8 million. These are the four major outflows of operating activities. Primary inflows of operating activities consist of net student tuition and fees and grants and contracts, totaling \$69.7 million and \$24.5 million, respectively.

The net cash provided by noncapital financing activities was \$264.4 million. This amount included State appropriations in the amount of \$180.8 million and gifts and grants received for other than capital purposes of \$82.8 million, which includes Federal Pell Grant revenues.

The net cash provided by capital and related financing activities was \$27.6 million. Included in the calculation of this total are purchases of capital assets in the amount of \$17.1 million and the receipt of capital appropriations totaling \$37.2 million. The increase in cash receipts from capital appropriations resulted from additional capital related financing activities in connection with various capital construction and renovation projects. These are the primary outflows and inflows of capital and related financing activities, respectively.

The net cash used by investing activities was \$15 million. During the 2006-07 fiscal year, the College received \$19.4 million of investment income and investments purchased exceeded investments sold by \$34.4 million. More detailed information about the College's investments is presented in the notes to financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2007, the College had \$609.1 million in capital assets, less accumulated depreciation of \$276.5 million, for net capital assets of \$332.6 million. Depreciation charges for the current fiscal year totaled \$17 million. The following table summarizes capital asset balances for the College and its component unit:

Capital Assets: College (In Thousands)				
Capital Assets	College		Component Unit	
	6-30-07	6-30-06	3-31-07	3-31-06
Land	\$ 61,229	\$ 58,327	\$	\$
Construction in Progress	8,031	10,706		
Buildings	455,758	442,299		
Other Structures and Improvements	24,426	23,465		
Furniture, Machinery, and Equipment	59,669	57,586	66	164
Total Capital Assets	\$ 609,113	\$ 592,383	\$ 66	\$ 164

More information about the College’s capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$9 million in long-term debt outstanding versus \$8.3 million at the end of the prior fiscal year. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2007, and June 30, 2006:

Long-Term Debt, at June 30: College (In Thousands)		
	2007	2006
Installment Purchases	\$ 1,683	\$
SBE Capital Outlay Bonds	7,345	8,315
Total	\$ 9,028	\$ 8,315

The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by the College’s portion of the State-assessed motor vehicle license tax. Additionally, the College acquired data processing equipment through an installment purchase agreement during the 2006-07 fiscal year. Additional information about the College’s long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Miami Dade College's economic condition is closely tied to that of the State of Florida. While increases in State revenues, student fees, and interest income are expected to partially offset increased expenditure budgets for the 2007-08 fiscal year, expectations of lesser 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, and financial statements and notes thereto, or requests for additional information should be addressed to the Vice-Provost of Business Affairs and Chief Financial Officer, Miami Dade College, 11011 S.W. 104 Street, Miami, Florida 33176.

FINANCIAL SECTION

**MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
As of June 30, 2007**

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 53,837,241	\$ 25,563,940
Restricted Cash and Cash Equivalents	12,102,334	62,983
Accounts Receivable, Net	3,173,333	2,051,214
Notes Receivable, Net	2,927,662	
Due from Other Governmental Agencies	107,013,251	
Due from Component Unit/College	1,681,809	559,262
Inventories	20,507	
Prepaid Expenses	283,472	
Deposits-Other	44,490	
Other Assets		396,974
Total Current Assets	181,084,099	28,634,373
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	101,338,163	
Endowment Investments	120,236,840	
Other Investments	97,868,975	80,991,390
Notes Receivable, Net	11,393,868	
Depreciable Capital Assets, Net	263,363,638	65,737
Nondepreciable Capital Assets	69,260,012	
Total Noncurrent Assets	663,461,496	81,057,127
TOTAL ASSETS	\$ 844,545,595	\$ 109,691,500
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,876,353	\$ 420,748
Salary and Payroll Taxes Payable	23,342,948	
Retainage Payable	757,092	
Due to Other Governmental Agencies	1,918,408	25,000
Due to Component Unit/College	552,124	2,996,822
Deferred Revenue	2,669,886	
Deposits Held for Others		62,983
Long-Term Liabilities - Current Portion:		
Bonds Payable	770,000	
Installment Purchases Payable	350,552	
Compensated Absences Payable	13,656,336	
Deposits Held for Others	4,295,106	
Total Current Liabilities	51,188,805	3,505,553
Noncurrent Liabilities:		
Bonds Payable	6,575,000	
Installment Purchases Payable	1,332,080	
Compensated Absences Payable	15,807,173	
Deposits Held for Others	5,000	
Total Noncurrent Liabilities	23,719,253	
TOTAL LIABILITIES	74,908,058	3,505,553

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2007

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 325,510,553	\$
Restricted:		
Nonexpendable:		
Endowment	120,377,339	40,576,494
Expendable:		
Grants and Loans	26,500,639	
Scholarships	3,779,427	60,119,722
Capital Projects	243,750,566	
Debt Service	159,742	
Unrestricted	49,559,271	5,489,731
Total Net Assets	769,637,537	106,185,947
TOTAL LIABILITIES AND NET ASSETS	\$ 844,545,595	\$ 109,691,500

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

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2007

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$43,104,052	\$ 67,663,845	\$
Federal Grants and Contracts	16,002,157	
State and Local Grants and Contracts	7,602,695	8,183,379
Nongovernmental Grants and Contracts	4,237,944	
Sales and Services of Educational Departments	357,903	
Auxiliary Enterprises	3,181,503	
Other Operating Revenues	5,891,443	9,662,403
Total Operating Revenues	104,937,490	17,845,782
EXPENSES		
Operating Expenses:		
Personnel Services	232,892,195	860,041
Scholarships and Waivers	45,617,857	6,259,697
Utilities and Communications	11,527,129	
Contractual Services	13,440,154	
Other Services and Expenses	36,765,712	3,231,701
Materials and Supplies	18,295,344	
Depreciation	16,995,561	10,027
Total Operating Expenses	375,533,952	10,361,466
Operating Income (Loss)	(270,596,462)	7,484,316
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	180,805,619	
Gifts and Grants	82,826,864	
Investment Income	29,145,045	9,249,820
Other Nonoperating Revenues	2,417,564	
Interest on Capital Asset-Related Debt	(430,680)	
Net Nonoperating Revenues	294,764,412	9,249,820
Income Before Other Revenues, Expenses, Gains, or Losses	24,167,950	16,734,136
Capital Appropriations	61,156,685	
Capital Grants, Contracts, Gifts, and Fees	6,352,920	
Additions to Permanent Endowments	745,963	
Total Other Revenues	68,255,568	
Increase in Net Assets	92,423,518	16,734,136
Net Assets, Beginning of Year	677,214,019	89,451,811
Net Assets, End of Year	\$ 769,637,537	\$ 106,185,947

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, 2007

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 69,698,422
Grants and Contracts	24,540,393
Payments to Suppliers	(68,750,834)
Payments for Utilities and Communications	(11,527,129)
Payments to Employees	(190,386,418)
Payments for Employee Benefits	(40,812,413)
Payments for Scholarships	(45,617,857)
Net Loans Issued to Students	(17,183,494)
Collection of Loans to Students	14,670,214
Auxiliary Enterprises	3,181,503
Sales and Service of Educational Departments	357,903
Other Receipts	7,218,257
	(254,611,453)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	180,805,619
Gifts and Grants Received for Other Than Capital or Endowment Purposes	82,826,864
Private Gifts for Endowment Purposes	745,963
	264,378,446
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	37,224,775
Capital Grants and Gifts	6,352,920
Proceeds from Sale of Capital Assets	2,683,210
Purchases of Capital Assets	(17,110,646)
Principal Paid on Capital Debt	(1,140,566)
Interest Paid on Capital Debt	(430,680)
	27,579,013
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	19,386,404
Change in Investments, Net	(34,382,564)
	(14,996,160)
Net Increase in Cash and Cash Equivalents	22,349,846
Cash and Cash Equivalents, Beginning of Year	144,927,892
	\$ 167,277,738

**MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2007**

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (270,596,462)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	16,995,561
Changes in Assets and Liabilities:	
Accounts Receivable, Net	1,054,940
Notes Receivable, Net	(2,513,281)
Inventories	(1,583)
Accounts Payable	1,504,420
Deferred Revenue	(2,327,677)
Deposits Held for Others	847,138
Compensated Absences Payable	425,491
NET CASH USED BY OPERATING ACTIVITIES	\$ (254,611,453)

SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITY

The College acquired data processing equipment totaling \$1,853,199 through an installment purchase agreement.

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, 2007

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2007.

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.

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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

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

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

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

The College follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

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

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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 appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is considered a nonoperating expense.

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

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

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows for Proprietary and Non-Expendable Trust Funds*.

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, funds in an institutional cash management money market mutual fund, and cash invested with the State Treasury and the State Board of Administration. For the purpose of reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury Special Purpose Investment Account (SPIA) and the State Board of Administration Local Government Surplus Funds Trust Fund 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.

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Under an agreement with a local bank, the amounts for outstanding checks awaiting clearance are invested in an institutional cash management money market mutual fund. This money market mutual fund invests in corporate money market securities, commercial paper, repurchase agreements, variable-rate instruments, and bank instruments.

At June 30, 2007, the College reported as cash equivalents at fair value \$101,526,824 of moneys held in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The State Treasury has taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.21 years at June 30, 2007. 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 investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2007, the College reported as cash equivalents at fair value \$49,131,673 of moneys held in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The College's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign credit risk. The investment pool was not rated by a nationally recognized statistical rating agency as of June 30, 2007.

Capital Assets. College capital assets consist of land; buildings; other structures and improvements; furniture, machinery, and equipment; and construction in progress. 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. Interest costs incurred during construction of capital assets are not considered material, and are not capitalized as part of the cost of construction. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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

Property and equipment of the College's component unit is stated at cost, and is net of accumulated depreciation of \$98,489. The College's component unit depreciates property and equipment using the straight-line method over estimated lives of the assets (three to ten years).

2. INVESTMENTS

Section 218.415(16), Florida Statutes, authorizes the College to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; 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 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 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, considering the probable safety of their capital as well as the probable income to be derived from the investment. For

**MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

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 that investment managers with different investment styles (strategies) will be used. During the 2006-07 fiscal year, moneys of the Endowment Fund were invested by 13 investments managers, and other investments were invested by two investment managers.

Endowment investments and other investments are reported at a fair value of \$120,236,840 and \$97,868,975, respectively. The reporting of endowment investments at fair value resulted in an unrealized gain of \$9,867,805 reported as an increase to investment income. The reporting of other investments at fair value resulted in an unrealized loss of \$106,298 reported as a decrease to investment income.

The College’s investments at June 30, 2007, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
U.S. Government Obligations	\$ 36,834,761
Federal Agency Obligations	35,112,994
Corporate Bonds and Notes	39,143,015
Stocks and Other Equity Securities	51,596,028
International Equities	27,954,106
Alternatives Hedge Funds	20,723,505
Money Market Funds	<u>6,741,406</u>
Total College Investments	<u><u>\$ 218,105,815</u></u>

The following risks apply to the College’s investment in debt securities:

Interest Rate Risk: The College’s written investment policy, as a means of managing its exposure to fair value losses arising from increasing interest rates, requires that portfolios be actively managed so that changes in duration are made in anticipation of interest changes or business cycle movements. For endowment investments at June 30, 2007, the College’s debt securities totaling \$8,639,943 with one investment manager, and \$8,851,545 with another investment manager, had average durations of 4.4 years and 5.1 years, respectively. For other investments at June 30, 2007, the College’s debt securities totaling \$31,918,764 with one investment manager, and \$61,680,518 with another investment manager, had durations of 3.35 years and 4.30 years, respectively.

Credit Risk: The College’s investment policy for endowment investments states that the fixed income manager’s overall portfolio should exhibit at least an investment grade rating by either Moody or Standard and Poor’s. The College’s corporate bonds and notes totaling \$11,746,277 for the endowment investments

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

at June 30, 2007, held an average quality rating of AA+ by Standard and Poor's. The College's investment policy for other investments states that investments shall be made with the same judgment and care, under circumstance then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. The College's investment policy for other investments also states that the weighted average quality rating of the collective funds invested must maintain a rating of AA or higher. For other investments at June 30, 2007, the College's corporate bonds and notes totaling \$12,567,764 with one investment manager, and totaling \$14,828,974 with another investment manager, had average quality ratings of AA+ and AA+, respectively, by Standard and Poor's.

Concentration of Credit Risk: 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 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.

Component Unit Investments

Investments held by the College's component unit are composed of mutual funds and investments in equity, debt and Federal agency debt securities, offshore funds, limited partnerships, and short-term investments, and are presented on the financial statements at fair value of \$80,991,390.

3. ENDOWMENT FUNDS

The College had approximately \$120 million in its endowment funds. A significant portion of this endowment was generated by referendum held in September 1992, where 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. The purpose of this tax, according to the ballot question, was to finance maintenance, improvement, and expansion of occupational, vocational, and educational programs at Miami Dade College. The College maintains the proceeds and earnings in an endowment fund.

4. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, returned checks, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$1,269,057 allowance for uncollectible accounts.

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

5. NOTES RECEIVABLE

Notes receivable represent student loans made under the Federal Perkins Loan Program of \$13,322,989, Federal Nursing Student Loan Program of \$67,331, short-term loan program of \$1,787,579, and emergency loan program of \$7,332. Notes receivable are reported net of an \$863,701 allowance for uncollectible notes.

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$95,411,648 of Public Education Capital Outlay allocations due from the State to the College for construction of College facilities.

7. DUE FROM/PAYABLE TO COMPONENT UNIT/COLLEGE

The \$552,124 reported as due to the component unit consists of amounts owed by the College to the Foundation pursuant to an agreement to support the Foundation's operations. The \$1,681,809 due from the 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, 2007. The College's component unit's financial statements are reported for the fiscal year ended March 31, 2007. Accordingly, amounts reported by the College as due from and/payable to the component unit on the statement of net assets do not agree with amounts reported by the component unit as due from and/payable 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, 2007, is shown below:

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 58,327,132	\$ 2,901,380	\$	\$ 61,228,512
Construction in Progress	10,706,379	6,345,729	9,020,608	8,031,500
Total Nondepreciable Capital Assets	\$ 69,033,511	\$ 9,247,109	\$ 9,020,608	\$ 69,260,012
Depreciable Capital Assets:				
Buildings	\$ 442,299,127	\$ 14,511,876	\$ 1,052,750	\$ 455,758,253
Other Structures and Improvements	23,465,336	960,499		24,425,835
Furniture, Machinery, and Equipment	57,585,525	4,572,225	2,488,990	59,668,760
Total Depreciable Capital Assets	523,349,988	20,044,600	3,541,740	539,852,848
Less, Accumulated Depreciation:				
Buildings	184,713,415	14,803,688	10,027	199,507,076
Other Structures and Improvements	21,741,471	381,516		22,122,987
Furniture, Machinery, and Equipment	55,097,731	1,852,576	2,091,160	54,859,147
Total Accumulated Depreciation	261,552,617	17,037,780	2,101,187	276,489,210
Total Depreciable Capital Assets, Net	\$ 261,797,371	\$ 3,006,820	\$ 1,440,553	\$ 263,363,638

10. SALARY AND PAYROLL TAXES PAYABLE

Salary and payroll taxes payable as of June 30, 2007, totaled \$23,342,948. This amount includes \$13,252,214 of salary and payroll taxes and banked point liability of \$10,090,734. Under the bank point system, faculty members are allowed to bank overload teaching assignments. The instructor may use the banked points to offset future under loads, provide for additional leave time, or receive payment upon termination.

11. DEFERRED REVENUE

Deferred revenue includes restricted grants and contracts revenue and student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2007, the College reported the following amounts as deferred revenue:

Description	Amount
Restricted Grants and Contracts	\$ 1,335,239
Student Tuition and Fees	1,334,647
Total Deferred Revenue	\$ 2,669,886

**MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

12. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2007, include bonds, installment purchases, deposits held for others, and compensated absences. Long-term liabilities activity for the fiscal year ended June 30, 2007, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 8,315,000	\$	\$ 970,000	\$ 7,345,000	\$ 770,000
Installment Purchases Payable		1,853,198	170,566	1,682,632	350,552
Deposits Held for Others	3,452,968	847,138		4,300,106	4,295,106
Compensated Absences Payable	29,038,018	13,884,405	13,458,914	29,463,509	13,656,336
Total Long-Term Liabilities	\$ 40,805,986	\$ 16,584,741	\$ 14,599,480	\$ 42,791,247	\$ 19,071,994

Bonds Payable. The State Board of Education 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 State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable outstanding at June 30, 2007:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds:			
Series 1998-A	\$ 80,000	4.50	2008
Series 1999-A	175,000	4.00 - 4.75	2019
Series 2002-B	5,875,000	3.38 - 5.38	2015
Series 2005-A	90,000	5.00	2016
Series 2005-B	1,125,000	5.00	2018
Total	\$ 7,345,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2007, are as follows:

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<u>Fiscal Year Ending June 30</u>	<u>State Board of Education Capital Outlay Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 770,000	\$ 349,619	\$ 1,119,619
2009	815,000	322,506	1,137,506
2010	860,000	292,494	1,152,494
2011	925,000	246,744	1,171,744
2012	985,000	197,550	1,182,550
2013-2017	2,805,000	336,387	3,141,387
2018	185,000	10,100	195,100
Total	<u><u>\$7,345,000</u></u>	<u><u>\$1,755,400</u></u>	<u><u>\$9,100,400</u></u>

In prior years, portions of the State Board of Education, Capital Outlay Bonds, Series 1998-A were refunded and considered defeased in substance by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the College's statement of net assets. As of June 30, 2007, \$1,175,000 of State Board of Education, Capital Outlay Bonds, Series 1998-A are considered defeased in-substance.

Installment Purchases Payable. The College has entered into several installment purchase agreements for the purchase of data processing equipment reported at \$1,853,199. The stated interest rates ranged from 3.25 percent to 3.75 percent. Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2007, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2008	\$ 405,881
2009	405,881
2010	405,881
2011	405,880
2012	202,939
Total Minimum Payments	1,826,462
Less, Amount Representing Interest	143,830
Present Value of Minimum Payments	<u><u>\$1,682,632</u></u>

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State 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

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primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2007, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$29,463,509. Of this amount, \$13,656,336 is considered a current liability as this is expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

13. RETIREMENT PROGRAMS

Florida Retirement System. Most employees working in regularly established positions of the College are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions 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. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2006-07 fiscal year were as follows:

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Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class or plan 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, 2005, June 30, 2006, and June 30, 2007, totaled \$9,630,578, \$10,602,380, and \$13,366,895, respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. College employees already participating in the State Community College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 351 College participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$1,554,503.

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

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14. POST-EMPLOYMENT BENEFITS

Pursuant to Section 112.0801, Florida Statutes, the College pays the cost of health insurance for retired former employees. All of the College's employees may become eligible for those benefits if they reach normal retirement age and have their last ten years of service with the College. At June 30, 2007, the College provided benefits to 269 retired former employees and recognized the cost of the benefits as an expense each month as premiums were paid. For the 2006-07 fiscal year, premiums totaled \$427,572.

15. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2007, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
North Campus:			
Science Building	\$ 4,736,475	\$ 2,988,819	\$ 1,747,656
Kendall Campus:			
Science Classrooms and Laboratories	2,367,685	449,219	1,918,466
Wolfson Campus:			
Science Classrooms and Laboratories	<u>2,358,507</u>	<u>949,928</u>	<u>1,408,579</u>
Total	<u>\$ 9,462,667</u>	<u>\$ 4,387,966</u>	<u>\$ 5,074,701</u>

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16. 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 Community Colleges Risk Management Consortium, which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public community colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide community college risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$115 million. 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 coverage in any of the past three fiscal years.

Health and hospitalization, life, dental, long-term disability, and other liability coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

17. 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.

18. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the Community College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college's apportionment considering the following components: base budget, which includes the State appropriation to the Community College Program Fund in the current year plus the related student tuition and fees assigned in the current General Appropriations Act; the cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which are determined by the Legislature. Student fees in the base budget plus student fee

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revenues generated by increases in fee rates are deducted from the sum of these components to determine the net annual State apportionment to each college.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the College on an annual basis. The College is authorized to receive and expend these resources only upon applying for and receiving an encumbrance authorization from the Florida Department of Education.

The following is a summary of State revenue sources and amounts:

Community College Program Fund	\$ 159,069,031
Gross Receipts Tax (Public Education Capital Outlay)	49,715,837
Education Enhancement Trust Fund (Lottery)	19,239,816
Facilities Enhancement Challenge Grant	9,500,000
Florida Student Assistance Grants	9,418,312
Restricted Contracts and Grants	4,706,863
Performance Based Incentives	2,496,772
Bright Futures Scholarship Program	2,388,135
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,940,848
Baccalaureate Program	1,118,582
Interest on Investment	55,298
Total	<u><u>\$ 259,649,494</u></u>

19. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

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<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 136,741,690
Public Services	3,954,477
Academic Support	36,646,881
Student Services	28,178,708
Institutional Support	54,375,818
Operation and Maintenance of Plant	47,205,391
Student Aid	46,472,752
Auxiliary Enterprises	3,489,097
Depreciation	16,995,561
Loan Operating Expenses	<u>1,473,577</u>
Total Operating Expenses	<u><u>\$ 375,533,952</u></u>

20. SUBSEQUENT EVENTS

As discussed in note 1, at June 30, 2007, the College had \$49,131,673 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On December 4, 2007, the State Board of Administration restructured the Pool and implemented temporary restrictions on the withdrawal of moneys that were on deposit including the requirement that a redemption fee be paid for withdrawals in excess of amounts to be periodically set by the State Board of Administration. Information regarding the restructuring and withdrawal restrictions is available from Miami Dade College and the State Board of Administration. The College had \$128,162,670 invested in the Pool as of February 4, 2008.