

MIAMI DADE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2008



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2007-08 fiscal year are listed below:

Helen Aguirre Ferré, Chair
Peter W. Roulhac, Vice-Chair from 10-16-07 (1)
Henry Klein, Vice-Chair to 9-24-07
Armando J. Bucelo, Jr.
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Robert H. Fernandez from 9-25-07
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Marielena Villamil

Dr. Eduardo J. Padrón, President

Note: (1) Vice-Chair position remained vacant from September 25, 2007, to October 15, 2007.

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

This report and other audit reports prepared by the Auditor General can be obtained on our Web site 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.

MIAMI DADE COLLEGE
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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, 2008. 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 financial statements. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2009-151.

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.

thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 12 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 23, 2009

MANAGEMENT’S DISCUSSION AND ANALYSIS

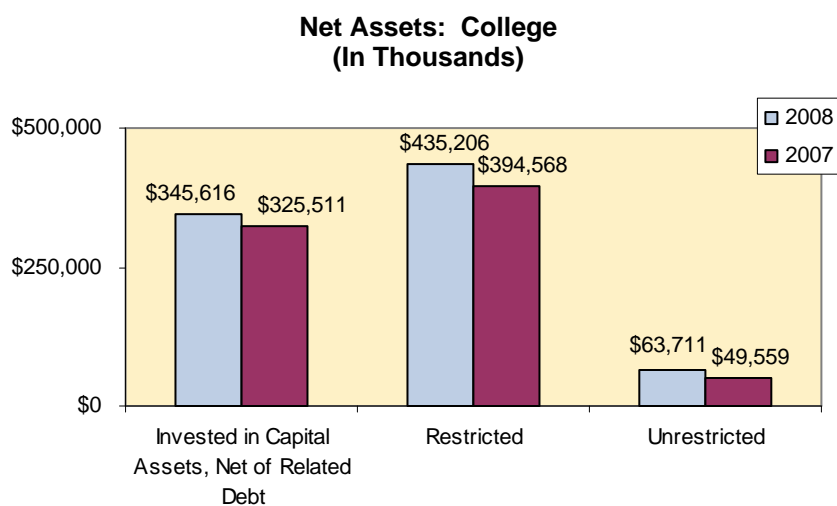
The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2008, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting 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, 2008, and June 30, 2007, and its component unit, the Miami Dade College Foundation, Inc., for the fiscal years ended March 31, 2008, and March 31, 2007.

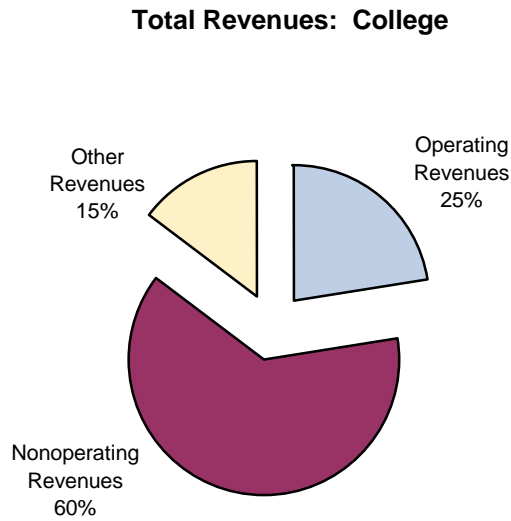
FINANCIAL HIGHLIGHTS

The financial position of the College improved during the fiscal year ended June 30, 2008, as reflected by a \$74.9 million, or 9.7 percent, increase in net assets from the 2006-07 fiscal year.

The College’s comparative total net assets by category for the fiscal years ended June 30, 2008, and June 30, 2007, are shown in the following graph:



The following chart provides a graphical presentation of College revenues by category for the 2007-08 fiscal year:



For the fiscal year ended June 30, 2008, College revenue and other support exceeded expenses, creating an increase in net assets of \$74.9 million (compared to a \$92.4 million increase in the 2006-07 fiscal year). Nonoperating revenues represent 60 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 its financial activities to the State of Florida.

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

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

These two statements report Miami Dade College's net assets and changes in them. You can think of the College's net assets, the difference between assets and liabilities, as one way to measure the College's financial health, or

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

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

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

	Assets, Liabilities, and Net Assets			
	(In Thousands)			
	College		Component Unit	
	6-30-08	6-30-07	3-31-08	3-31-07
Assets				
Current Assets	\$ 205,056	\$ 181,084	\$ 31,467	\$ 28,634
Capital Assets, Net	351,608	332,624		66
Other Noncurrent Assets	364,139	330,838	83,497	80,992
Total Assets	920,803	844,546	114,964	109,692
Liabilities				
Current Liabilities	53,039	51,189	2,733	3,506
Noncurrent Liabilities	23,231	23,719		
Total Liabilities	76,270	74,908	2,733	3,506
Net Assets				
Invested in Capital Assets, Net of Related Debt	345,616	325,511		
Restricted	435,206	394,568	106,204	100,696
Unrestricted	63,711	49,559	6,027	5,490
Total Net Assets	\$ 844,533	\$ 769,638	\$ 112,231	\$ 106,186
Increase in Net Assets	\$ 74,895	9.7%	\$ 6,045	5.7%

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

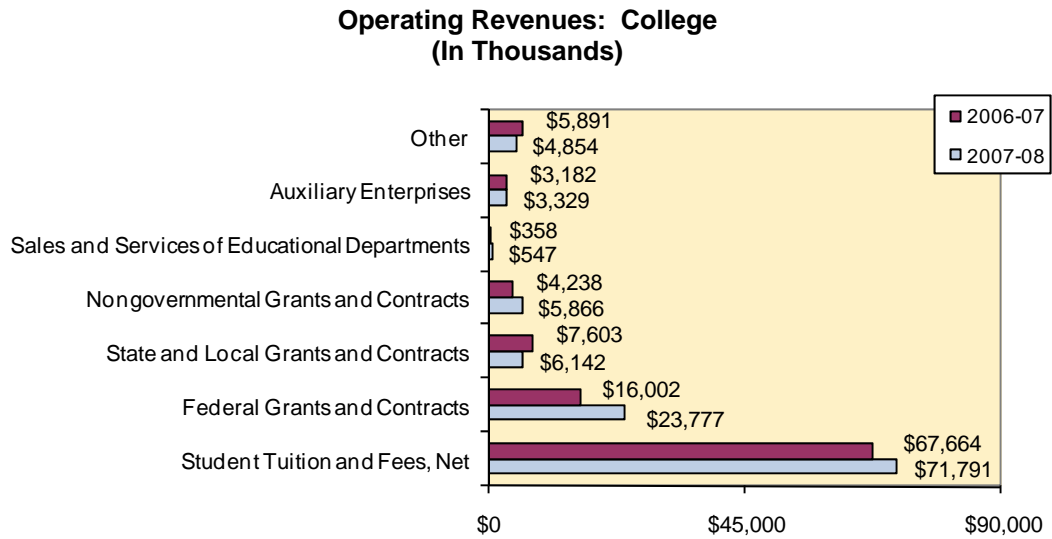
**Operating Results for the Respective Periods Ended
(In Thousands)**

	College		Component Unit	
	6-30-08	6-30-07	3-31-08	3-31-07
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 71,791	\$ 67,664	\$	\$
Federal Grants and Contracts	23,777	16,002		
State and Local Grants and Contracts	6,142	7,603	5,980	8,183
Nongovernmental Grants and Contracts	5,866	4,238		
Sales and Services of Educational Departments	547	358		
Auxiliary Enterprises	3,329	3,182		
Other Operating Revenues	4,854	5,891	11,449	9,662
Total Operating Revenues	116,306	104,938	17,429	17,845
Less, Operating Expenses	387,272	375,534	12,196	10,361
Operating Income (Loss)	(270,966)	(270,596)	5,233	7,484
Nonoperating Revenues (Expenses)				
State Appropriations	184,886	180,806		
Other Nonoperating Revenues	89,935	114,389	812	9,250
Nonoperating Expenses	(405)	(431)		
Net Nonoperating Revenues	274,416	294,764	812	9,250
Income Before Other Revenues, Expenses, Gains, or Losses				
Capital Appropriations	3,450	24,168	6,045	16,734
Capital Grants, Contracts, Gifts, and Fees	62,737	61,157		
Additions to Permanent Endowments	7,569	6,353		
	1,139	746		
Increase in Net Assets	74,895	92,424	6,045	16,734
Net Assets, Beginning of Year	769,638	677,214	106,186	89,452
Net Assets, End of Year	\$ 844,533	\$ 769,638	\$ 112,231	\$ 106,186

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 2007-08 and 2006-07 fiscal years:



Operating revenues increased by \$11.4 million, or 10.8 percent, compared to the 2006-07 fiscal year as a result of the following factors:

- Student tuition and fee revenue, net of scholarship allowances, increased by \$4.1 million, or 6.1 percent. The increase resulted from an increase in the student fee rate approved by the District Board of Trustees and an increase in full-time equivalent student enrollment.
- Operating revenues from Federal, State, and local governments increased by \$6.3 million, or 26.7 percent, primarily due to an increase in grants and contracts from Federal sources versus the 2006-07 fiscal year.
- Revenues from nongovernmental and private grants and contracts increased by \$1.6 million, or 38.4 percent.
- Revenues from sales and services of educational departments and auxiliary enterprises remained materially unchanged compared to the 2006-07 fiscal year, while other operating revenues decreased by \$1 million, or 17.6 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.

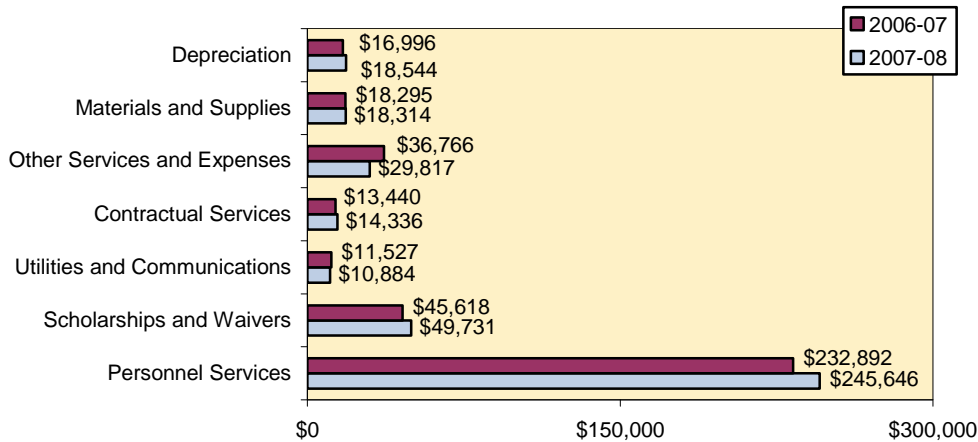
Operating expenses for the College and its component unit for the respective periods ended are presented in the following table:

**Operating Expenses for the Respective Periods Ended
(In Thousands)**

	College		Component Unit	
	6-30-08	6-30-07	3-31-08	3-31-07
Operating Expenses				
Personnel Services	\$ 245,646	\$ 232,892	\$ 2,193	\$ 860
Scholarships and Waivers	49,731	45,618	6,760	6,259
Utilities and Communications	10,884	11,527		
Contractual Services	14,336	13,440		
Other Services and Expenses	29,817	36,766	3,242	3,232
Materials and Supplies	18,314	18,295		
Depreciation	18,544	16,996	1	10
Total Operating Expenses	\$ 387,272	\$ 375,534	\$ 12,196	\$ 10,361

The following chart presents the College’s operating expenses for the 2007-08 and 2006-07 fiscal years:

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



Operating expenses increased by \$11.7 million, or 3.1 percent, compared to the 2006-07 fiscal year as a result of the following factors:

- Personnel services expenditures increased by \$12.8 million, or 5.5 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 increased by \$4.1 million, or 9 percent, primarily due to an increase in Federal Pell Grant awards reported by the College.
- Utilities and communications expenses decreased by \$0.6 million, or 5.6 percent. This decrease is mainly attributable to the College’s cost containment initiatives.
- Contractual services and other services and expenses, in combination, decreased by \$6.1 million, or 12.1 percent, primarily due to a rise in the use and unit cost of contractual services offset by the College’s cost containment initiatives for other services and expenses.

- Materials and supplies expenses remained materially unchanged compared to the 2006-07 fiscal year.
- Depreciation expense increased by \$1.5 million, or 9.1 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 2007-08 and 2006-07 fiscal years:

Nonoperating Revenues (Expenses): College (In Thousands)	<u>2007-08</u>	<u>2006-07</u>
State Appropriations	\$ 184,886	\$ 180,806
Gifts and Grants	86,061	82,827
Investment Income	3,348	29,145
Other Nonoperating Revenues	526	2,417
Interest on Capital Asset-Related Debt	<u>(405)</u>	<u>(431)</u>
Net Nonoperating Revenues	<u>\$ 274,416</u>	<u>\$ 294,764</u>

Net nonoperating revenues decreased by \$20.3 million, State appropriations and gifts and grants increased by \$4.1 million and \$3.2 million, respectively, other nonoperating revenues decreased by \$1.9 million, and investment income decreased by \$25.8 million, primarily as a result of a decline in the fair market value of investments.

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 2007-08 and 2006-07 fiscal years:

Other Revenues, Expenses, Gains, or Losses: College (In Thousands)	<u>2007-08</u>	<u>2006-07</u>
Capital Appropriations	\$ 62,737	\$ 61,157
Capital Grants, Contracts, Gifts, and Fees	7,569	6,353
Additions to Permanent Endowments	<u>1,139</u>	<u>746</u>
Total	<u>\$ 71,445</u>	<u>\$ 68,256</u>

Other revenues, expenses, gains, or losses increased by \$3.2 million, or 4.7 percent, compared to the 2006-07 fiscal year, as a result of the following factors:

- Capital appropriations increased by \$1.6 million, or 2.6 percent, as a result of an increase in State funding in support of capital projects.
- Capital grants, contracts, gifts, and fees increased by \$1.2 million, or 19.1 percent, primarily as a result of an increase in the capital improvement fee rate approved by the District Board of Trustees.

- Additions to permanent endowments increased by \$0.4 million, or 52.7 percent, as a result of market fluctuations that affected the recognition of interest income and dividends compared to the 2006-07 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 2007-08 and 2006-07 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College (In Thousands)

	2007-08	2006-07
Cash Provided (Used) by:		
Operating Activities	\$(254,567)	\$(254,611)
Noncapital Financing Activities	272,086	264,378
Capital and Related Financing Activities	18,455	27,579
Investing Activities	4,062	(14,996)
Net Increase in Cash and Cash Equivalents	40,036	22,350
Cash and Cash Equivalents, Beginning of Year	167,278	144,928
Cash and Cash Equivalents, End of Year	\$ 207,314	\$ 167,278

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

During the 2007-08 fiscal year, cash and cash equivalents increased by \$40 million. The increase is primarily a result of the retention of cash and cash equivalents investments due to unfavorable market conditions.

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 \$198.9 million and \$45.2 million, respectively, payments for scholarships of \$49.7 million, and payments to suppliers of \$62.5 million. These are the four major outflows of operating activities. Primary inflows of operating activities consist of net tuition and fees and grants and contracts, totaling \$69.3 million and \$36.4 million, respectively.

The net cash provided by noncapital financing activities was \$272.1 million. This amount included State appropriations in the amount of \$184.9 million and gifts and grants received for other than capital purposes (which include Federal Pell Grant revenues) in the amount of \$86.1 million.

The net cash provided by capital and related financing activities was \$18.5 million. Included in the calculation of this total are purchases of capital assets in the amount of \$36.5 million and the receipt of capital appropriations totaling \$48.1 million. The increase in purchases of capital assets primarily reflects construction and acquisition of facilities made during the 2007-08 fiscal year. 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 provided by investing activities was \$4 million. During the 2007-08 fiscal year, the College received \$14.4 million of investment income and investments purchased exceeded investments sold by \$10.4 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, 2008, the College had \$642.4 million in capital assets, less accumulated depreciation of \$290.8 million, for net capital assets of \$351.6 million. Depreciation charges for the current fiscal year totaled \$18.5 million. The following table summarizes capital asset balances for the College for the respective periods ended:

Capital Assets	College	
	(In Thousands)	
	6-30-08	6-30-07
Land	\$ 69,547	\$ 61,229
Construction in Progress	16,327	8,031
Buildings	472,390	455,758
Other Structures and Improvements	24,458	24,426
Furniture, Machinery, and Equipment	59,732	59,669
Total	\$ 642,454	\$ 609,113

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 \$7.9 million in long-term debt outstanding versus \$9 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, 2008, and June 30, 2007:

**Outstanding Debt, at June 30: College
(In Thousands)**

	2008	2007
Installment Purchases	\$ 1,332	\$ 1,683
SBE Capital Outlay Bonds	6,575	7,345
Total	\$ 7,907	\$ 9,028

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 through an installment purchase agreement during the 2006-07 fiscal year. More detailed 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 2008-09 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 financial 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.

BASIC FINANCIAL STATEMENTS

MIAMI DADE COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS As of June 30, 2008

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 60,222,097	\$ 26,518,287
Restricted Cash and Cash Equivalents	13,364,150	80,269
Accounts Receivable, Net	4,704,436	3,024,507
Notes Receivable, Net	2,800,299	
Due from Other Governmental Agencies	121,716,682	
Due from Component Unit/College	1,904,526	1,062,433
Inventories	17,689	
Prepaid Expenses	281,464	
Deposits-Other	44,490	
Other Assets		780,994
Total Current Assets	205,055,833	31,466,490
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	133,727,870	
Endowment Investments	102,529,359	83,496,867
Restricted Other Investments	76,031,297	
Other Investments	38,821,343	
Notes Receivable, Net	13,028,670	
Depreciable Capital Assets, Net	265,734,553	
Nondepreciable Capital Assets	85,873,749	
Total Noncurrent Assets	715,746,841	83,496,867
TOTAL ASSETS	\$ 920,802,674	\$ 114,963,357
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,882,365	\$ 554,822
Salary and Payroll Taxes Payable	24,247,901	
Retainage Payable	1,780,780	
Due to Other Governmental Agencies	963,207	
Due to Component Unit/College	519,118	2,097,620
Deferred Revenue	2,483,651	
Deposits Held for Others		80,269
Long-Term Liabilities - Current Portion:		
Bonds Payable	815,000	
Installment Purchases Payable	363,499	
Deposits Held for Others	4,841,570	
Compensated Absences Payable	14,142,275	
Total Current Liabilities	53,039,366	2,732,711
Noncurrent Liabilities:		
Bonds Payable	5,760,000	
Installment Purchases Payable	968,581	
Deposits Held for Others	5,000	
Compensated Absences Payable	13,576,805	
Postemployment Health Care Benefits Payable	2,920,283	
Total Noncurrent Liabilities	23,230,669	
TOTAL LIABILITIES	76,270,035	2,732,711

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2008

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 345,615,756	\$
Restricted:		
Nonexpendable:		
Endowment	102,574,630	43,148,865
Expendable:		
Grants and Loans	29,739,661	
Scholarships	3,454,352	63,055,015
Capital Projects	299,289,260	
Debt Service	147,851	
Unrestricted	63,711,129	6,026,766
Total Net Assets	844,532,639	112,230,646
TOTAL LIABILITIES AND NET ASSETS	\$ 920,802,674	\$ 114,963,357

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, 2008

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$47,761,327	\$ 71,791,014	\$
Federal Grants and Contracts	23,777,467	
State and Local Grants and Contracts	6,141,846	5,979,871
Nongovernmental Grants and Contracts	5,865,754	
Sales and Services of Educational Departments	547,234	
Auxiliary Enterprises	3,329,196	
Other Operating Revenues	4,853,567	11,449,634
Total Operating Revenues	116,306,078	17,429,505
EXPENSES		
Operating Expenses:		
Personnel Services	245,646,012	2,192,746
Scholarships and Waivers	49,731,397	6,760,460
Utilities and Communications	10,883,426	
Contractual Services	14,336,029	
Other Services and Expenses	29,817,151	3,241,586
Materials and Supplies	18,314,424	
Depreciation	18,543,521	1,415
Total Operating Expenses	387,271,960	12,196,207
Operating Income (Loss)	(270,965,882)	5,233,298
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	184,885,403	
Gifts and Grants	86,061,343	
Investment Income	3,347,519	811,401
Other Nonoperating Revenues	526,310	
Interest on Capital Asset-Related Debt	(404,947)	
Net Nonoperating Revenues	274,415,628	811,401
Income Before Other Revenues, Expenses, Gains, or Losses	3,449,746	6,044,699
Capital Appropriations	62,736,786	
Capital Grants, Contracts, Gifts, and Fees	7,569,195	
Additions to Permanent Endowments	1,139,375	
Total Other Revenues	71,445,356	
Increase in Net Assets	74,895,102	6,044,699
Net Assets, Beginning of Year	769,637,537	106,185,947
Net Assets, End of Year	\$ 844,532,639	\$ 112,230,646

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, 2008

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 69,255,444
Grants and Contracts	36,394,319
Payments to Suppliers	(62,491,780)
Payments for Utilities and Communications	(10,883,426)
Payments to Employees	(198,875,737)
Payments for Employee Benefits	(45,208,005)
Payments for Scholarships	(49,731,397)
Net Loans Issued to Students	(17,916,219)
Collection of Loans to Students	16,408,780
Auxiliary Enterprises	3,329,196
Sales and Service of Educational Departments	547,233
Other Receipts	4,604,951
	(254,566,641)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	184,885,403
Gifts and Grants Received for Other Than Capital or Endowment Purposes	86,061,343
Private Gifts for Endowment Purposes	1,139,375
	272,086,121
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	48,139,175
Capital Grants and Gifts	7,569,195
Proceeds from Sale of Capital Assets	791,264
Purchases of Capital Assets	(36,519,439)
Principal Paid on Capital Debt	(1,120,552)
Interest Paid on Capital Debt	(404,947)
	18,454,696
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	14,421,237
Changes in Investments, Net	(10,359,034)
	4,062,203
Net Increase in Cash and Cash Equivalents	40,036,379
Cash and Cash Equivalents, Beginning of Year	167,277,738
Cash and Cash Equivalents, End of Year	\$ 207,314,117

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2008

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (270,965,882)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	18,543,521
Changes in Assets and Liabilities:	
Receivables, Net	(3,607,948)
Inventories	2,819
Other Assets	2,008
Accounts Payable	(77,242)
Deferred Revenue	(186,235)
Deposits Held for Others	546,464
Compensated Absences Payable	(1,744,429)
Postemployment Health Care Benefits Payable	2,920,283
NET CASH USED BY OPERATING ACTIVITIES	\$ (254,566,641)

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, 2008

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 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 *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 are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2008.

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 the

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provide 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.

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

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

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 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, funds in an institutional cash management money market mutual fund, and cash invested with the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool (LGIP) and State Treasury Special Purpose Investment Account (SPIA). 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 LGIP and SPIA 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.

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

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

in corporate money market securities, commercial paper, repurchase agreements, variable-rate instruments, and bank instruments.

At June 30, 2008, the College reported as cash equivalents at fair value \$79,954,267 of moneys held in the SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.31 years at June 30, 2008. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool.

At June 30, 2008, the College reported as cash equivalents at fair value \$108,365,542 of moneys held in the Local Government Surplus Funds Trust Fund Investment Pool (LGIP) administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The College's investments in the LGIP, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2008, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. At June 30, 2008, certain significant withdrawals from the LGIP may be subject to a 2 percent redemption fee by the SBA. The LGIP carried a credit rating of AAAm by Standard and Poor's and had a weighted-average days to maturity (WAM) of 20.22 days as of June 30, 2008. 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 LGIP to interest rate changes. The investments in the LGIP 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. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Other Structures and Improvements – 10 years

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, Educational and Athletic Equipment – 5 years
 - Furniture – 7 years

2. INVESTMENTS

Pursuant to Section 218.415(16), Florida Statutes, the College is authorized to invest in the Local Government Surplus Funds Trust Fund investment pools 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 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 2007-08 fiscal year, moneys of the

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

Endowment Fund were invested by 12 investment managers, and other investments were invested by two investment managers.

Endowment investments and other investments are reported at a fair value of \$102,529,359 and \$114,852,640, respectively. The reporting of endowment investments at fair value resulted in an unrealized loss of \$11,193,039 reported as a decrease to investment income. The reporting of other investments at fair value resulted in an unrealized loss of \$437,107 reported as a decrease to investment income.

The College's investments at June 30, 2008, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Federal Agency Obligations	\$ 44,991,269
Corporate Bonds and Notes	40,299,527
Stocks and Other Equity Securities	38,522,605
International Equities	31,958,867
U.S. Government Obligations	26,856,513
Alternative Hedge Funds	21,262,031
Money Market Funds	6,900,050
State Board of Administration Fund B Surplus Funds Trust Fund	<u>6,591,137</u>
Total College Investments	<u><u>\$ 217,381,999</u></u>

The following risks apply to the College's investments 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, 2008, the College's debt securities totaling \$4,448,111 with one investment manager, and \$4,562,958 with another investment manager, had average durations of 5.6 years and 4.8 years, respectively. For other investments at June 30, 2008, the College's debt securities totaling \$68,553,617 with one investment manager, and \$34,582,623 with another investment manager, had average durations of 3.7 years and 3.45 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. For endowment investments at June 30, 2008, the College's corporate bonds and notes totaling \$4,447,534 with one investment manager, and totaling \$2,219,505 with another investment manager, had average quality ratings of AA+ and AA, respectively, by Standard and Poor's. The College's investment policy for other investments states that investments shall be made with the same judgment and

**MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

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, 2008, the College's corporate bonds and notes totaling \$20,119,091 with one investment manager, and totaling \$13,513,397 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.

State Board of Administration Fund B Surplus Funds Trust Fund

On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund (LGIP) to also establish the Fund B Surplus Funds Trust Fund (Fund B). Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the State Board of Administration, are effected by transferring eligible cash or securities to the LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the LGIP.

At June 30, 2008, the College reported investments at fair value of \$6,591,137 for amounts held in Fund B. The College's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.923331 at June 30, 2008. The weighted-average life (WAL) of Fund B at June 30, 2008, was 9.22 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, 2008. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

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 \$83,496,867.

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

3. ENDOWMENT FUNDS

The College had approximately \$102.5 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 \$1,590,500 allowance for uncollectible accounts.

5. NOTES RECEIVABLE

Notes receivable represent student loans made under the Federal Perkins Loan Program of \$14,097,260, Federal Nursing Student Loan Program of \$66,467, short-term loan program of \$2,775,384, and emergency loan program of \$7,332. Notes receivable are reported net of a \$1,117,474 allowance for uncollectible notes.

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$109,953,352 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

7. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The \$519,118 reported as due to component unit consists of amounts owed by the College to the Foundation pursuant to an agreement to support the Foundation's operations. The \$1,904,526 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, 2008. The College's component unit's financial statements are reported for the fiscal year ended March 31, 2008. Accordingly, amounts reported by the College as due from and to component unit on the statement of net assets do not agree with amounts reported by the component unit as due from and to the College.

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

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, 2008, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 61,228,512	\$ 8,317,714	\$	\$ 69,546,226
Construction in Progress	8,031,500	13,071,155	4,775,132	16,327,523
Total Nondepreciable Capital Assets	\$ 69,260,012	\$ 21,388,869	\$ 4,775,132	\$ 85,873,749
Depreciable Capital Assets:				
Buildings	\$ 455,758,253	\$ 17,138,126	\$ 506,237	\$ 472,390,142
Other Structures and Improvements	24,425,835	204,026	171,675	24,458,186
Furniture, Machinery, and Equipment	59,668,760	4,211,913	4,149,067	59,731,606
Total Depreciable Capital Assets	539,852,848	21,554,065	4,826,979	556,579,934
Less, Accumulated Depreciation:				
Buildings	199,507,076	15,345,757	36,070	214,816,763
Other Structures and Improvements	22,122,987	342,533	17,167	22,448,353
Furniture, Machinery, and Equipment	54,859,147	2,855,231	4,134,113	53,580,265
Total Accumulated Depreciation	276,489,210	18,543,521	4,187,350	290,845,381
Total Depreciable Capital Assets, Net	\$ 263,363,638	\$ 3,010,544	\$ 639,629	\$ 265,734,553

10. SALARY AND PAYROLL TAXES PAYABLE

Salary and payroll taxes payable as of June 30, 2008, totaled \$24,247,901. This amount includes \$12,761,593 of salary and payroll taxes and banked point liability of \$11,486,308. Under the bank point system, faculty members are allowed to bank overload teaching assignments. The instructor may use the banked points to offset future underloads, provide for additional leave time, or receive payment upon termination.

11. DEFERRED REVENUE

Deferred revenue includes restricted grants and contracts revenue and student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2008, the College reported the following amounts as deferred revenue:

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

Description	Amount
Restricted Grants and Contracts	\$ 1,538,600
Student Tuition and Fees	945,051
Total Deferred Revenue	\$ 2,483,651

12. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2008, include bonds, installment purchases, deposits held for others, compensated absences, and postemployment health care benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2008, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 7,345,000	\$	\$ 770,000	\$ 6,575,000	\$ 815,000
Installment Purchases Payable	1,682,632		350,552	1,332,080	363,499
Deposits Held for Others	4,300,106	546,464		4,846,570	4,841,570
Compensated Absences Payable	29,463,509	13,287,361	15,031,790	27,719,080	14,142,275
Postemployment Health Care Benefits Payable		2,920,283		2,920,283	
Total Long-Term Liabilities	\$ 42,791,247	\$ 16,754,108	\$ 16,152,342	\$ 43,393,013	\$ 20,162,344

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, 2008:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds:			
Series 1999-A	\$ 165,000	4.13 - 4.75	2019
Series 2002-B	5,205,000	3.50 - 5.38	2015
Series 2005-A	80,000	5.00	2016
Series 2005-B	1,125,000	5.00	2018
Total	\$ 6,575,000		

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>State Board of Education Capital Outlay Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,075,000	156,975	1,231,975
2014-2018	1,895,000	188,562	2,083,562
2019	20,000	950	20,950
Total	<u><u>\$ 6,575,000</u></u>	<u><u>\$ 1,405,781</u></u>	<u><u>\$ 7,980,781</u></u>

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, 2008, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2009	\$ 405,881
2010	405,881
2011	405,881
2012	202,939
Total Minimum Payments	1,420,582
Less, Amount Representing Interest	<u>88,502</u>
Present Value of Minimum Payments	<u><u>\$ 1,332,080</u></u>

MIAMI DADE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

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 primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2008, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$27,719,080. The current portion of the compensated absences liability (\$14,142,275) 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.

Postemployment Health Care Benefits Payable. Effective for the 2007-08 fiscal year, the College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits administered by the College. The requirements of this Statement are being implemented prospectively, with the actuarially determined liability of \$57,036,378 at July 1, 2007, the date of transition, amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of transition.

Plan Description. The Postemployment Health Care Benefits 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 self-insured health and hospitalization plan for medical, prescription drug, and vision 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. 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 is not included in the annual report of a public employee retirement system or another entity.

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Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits may be amended by the Board of Trustees. Contribution requirements of the College are established and may be amended through recommendations of the Insurance Committee and actions from the Board of Trustees. The College has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2007-08 fiscal year, 273 retirees received postemployment health care benefits and 319 retirees received life insurance benefits. The College provided required contributions of \$1,727,086 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 \$1,803,056.

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 Governmental Accounting Standards No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 2,565,671
Amortization of Unfunded Actuarial:	
Accrued Liability	2,081,698
Interest on Normal Cost and Amortization	-
Annual Required Contribution	4,647,369
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	4,647,369
Contribution Toward the OPEB Cost	<u>(1,727,086)</u>
Increase in Net OPEB Obligation	2,920,283
Net OPEB Obligation, Beginning of Year	-
Net OPEB Obligation, End of Year	<u>\$ 2,920,283</u>

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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, 2008 (first year of implementation), was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$ -		\$ -
2007-08	4,647,369	37.16%	2,920,283

Funded Status and Funding Progress. As of June 30, 2008, the actuarial accrued liability for benefits was \$57,036,378 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$57,036,378. The covered payroll (annual payroll of active participating employees) was \$93,458,005 for the 2007-08 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 61.03 percent.

Actuarial Methods and Assumptions. 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, disability, and the health care 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. 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 initial OPEB actuarial valuation as of October 1, 2007, used the entry age actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2008, and the 2007-08 fiscal year annual required contribution. This method was selected because it is the most common such method used for government pension valuation and spreads the costs evenly as a percent of pay throughout the collective careers of those in the covered workforce. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth

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rate of 4 percent per year, and an annual health care cost trend rate of 10 percent initially for the 2007-08 fiscal year, and beginning in 2010 reduced by 0.5 percent per year, to an ultimate rate of 8.5 percent after five years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was 29 years.

13. RETIREMENT PROGRAMS

Florida Retirement System. The Florida Retirement System (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, 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 2007-08 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, 2006, June 30, 2007, and June 30, 2008, totaled \$10,602,380, \$13,366,895, and \$13,601,429, 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. Benefits in the plan vest at one year of service. There were 434 College participants during the 2007-08 fiscal year. Required contributions made to the PEORP totaled \$1,930,534.

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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JUNE 30, 2008

14. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2008, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
North Campus:			
Science Building	\$ 34,767,860	\$ 14,387,173	\$ 20,380,687
Medical Campus:			
Classrooms and Laboratories	1,912,327	213,395	1,698,932
Wolfson Campus:			
Baccalaureate Science Classrooms and Laboratories	1,026,774	45,965	980,809
Total	\$ 37,706,961	\$ 14,646,533	\$ 23,060,428

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 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 \$200 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.

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, 2008

17. 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 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:

<u>Source</u>	<u>Amount</u>
Community College Program Fund	\$ 163,308,385
Gross Receipts Tax (Public Education Capital Outlay)	50,548,916
Education Enhancement Trust Fund (Lottery)	18,456,535
Florida Student Assistance Grants	10,801,542
Facilities Enhancement Challenge Grant	9,750,000
Bright Futures Scholarship Program	3,498,287
Restricted Contracts and Grants	3,374,285
Performance Based Incentives	3,120,483
Motor Vehicle License Tax (Capital Outlay and Debt Service)	2,437,870
Baccalaureate Program	<u>1,189,351</u>
Total	<u><u>\$ 266,485,654</u></u>

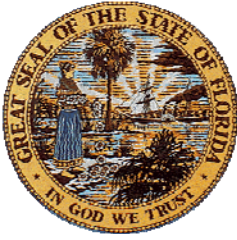
18. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

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JUNE 30, 2008**

service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 141,609,778
Public Services	4,509,313
Academic Support	37,825,048
Student Services	29,570,207
Institutional Support	56,379,101
Operation and Maintenance of Plant	41,523,560
Scholarships and Fellowships	51,731,424
Depreciation	18,543,521
Auxiliary Enterprises	4,213,908
Loan Operating Expenses	<u>1,366,100</u>
Total Operating Expenses	<u><u>\$ 387,271,960</u></u>



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

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

We have audited the basic 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, 2008, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *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*.

We noted certain operational matters that we reported to College management in our report No. 2009-151, dated March 2009.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
February 23, 2009