REPORT NO. 2013-157
MARCH 2013

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HILLSBOROUGH COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2012



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2011-12 fiscal year are listed below:

Randall H. Reid, Chair
Nancy H. Watkins, Vice Chair from 9-28-11
Andrew L. Graham to 9-21-11, Vice Chair (1)
MarDee Buchman, from 11-16-11
James T. Burt, II, from 9-22-11
Daniel M. Coton to 11-15-11 (2)
Rodrigo Jurado to 9-21-11 (3)
Andrew V. Pittman from 9-22-11

Dr. Kenneth Atwater, President

Notes: (1) Vice Chair position remained vacant from September 22, 2011, to September 27, 2011.
(2) Board Member served beyond the end of term, May 31, 2011.
(3) Board Member served beyond the end of term, May 31, 2010.

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 Joanna Slater and the audit was supervised by Janice Priolo, 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 reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

HILLSBOROUGH COMMUNITY 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 Hillsborough Community 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, 2012. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

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AUDITOR GENERAL

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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 Hillsborough Community 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, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of College 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, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Hillsborough Community College and of its discretely presented component unit as of June 30, 2012, and the respective changes in financial position and cash flows 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 Hillsborough Community 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.

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

Respectfully submitted,



David W. Martin, CPA
March 20, 2013

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, 2012, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College, and its component unit the Hillsborough Community College Foundation, Inc., for the fiscal years ended June 30, 2012, and June 30, 2011.

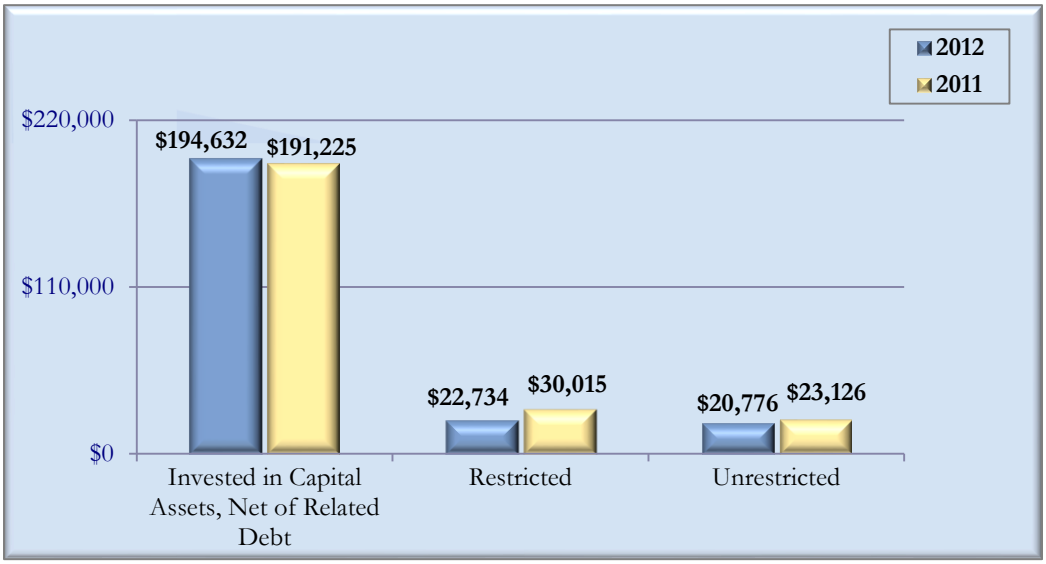
FINANCIAL HIGHLIGHTS

The College's assets totaled $251.9 million at June 30, 2012. This balance reflects a $4.5 million, or 1.7 percent, decrease as compared to the 2010-11 fiscal year, resulting primarily from a $7.5 million decrease in the amount due from the State for capital projects and a $3.1 million decrease in cash and cash equivalents, offset by a $2.9 million increase in net accounts receivable, and a $3.2 million increase in net capital assets. While assets decreased, liabilities increased by $1.7 million, or 14.4 percent, totaling $13.8 million at June 30, 2012, as compared to $12.1 million at June 30, 2011. This increase was primarily due to a $1.1 million increase in deposits held for others for the Federal direct student loan program. As a result, the College's net assets decreased by $6.2 million, resulting in a year-end balance of $238.1 million.

The College's operating revenues totaled $60.2 million for the 2011-12 fiscal year, representing a 5.8 percent increase, as compared to the 2010-11 fiscal year due mainly to a $3.7 million increase in net student tuition and fees. Operating expenses totaled $184 million for the 2011-12 fiscal year, representing an increase of 4.8 percent, as compared to the 2010-11 fiscal year due mainly to increases in costs for personnel services, materials and supplies, and contractual and other services.

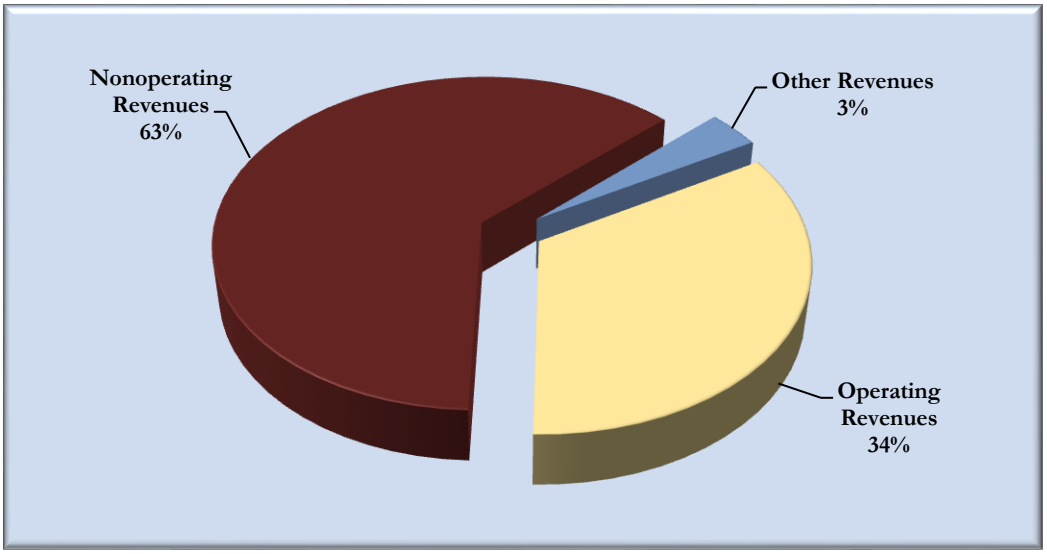
Net assets represent the residual interest in the College's assets after deducting liabilities. The College's comparative total net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following graph:

Net Assets: College
(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2011-12 fiscal year:

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net 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:

- Hillsborough Community 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.
- Hillsborough Community 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 Hillsborough Community 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 Hillsborough Community College's operating results.

These two statements report Hillsborough Community 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 as of June 30, 2012, and June 30, 2011, is shown in the following table:

Condensed Statement of Net Assets at
(In Thousands)

	College		Component Unit			
	6-30-12	6-30-11	6-30-12	6-30-11		
Assets						
Current Assets	$ 43,440	$ 51,912	$ 3,059	$ 3,152		
Capital Assets, Net	196,717	193,555	14,225	15,048		
Other Noncurrent Assets	11,778	10,951	6,484	6,605		
Total Assets	251,935	256,418	23,768	24,805		
Liabilities						
Current Liabilities	8,314	6,717	1,554	1,305		
Noncurrent Liabilities	5,479	5,335	18,338	18,329		
Total Liabilities	13,793	12,052	19,892	19,634		
Net Assets						
Invested in Capital Assets, Net of Related Debt	194,632	191,225	(3,050)	(2,627)		
Restricted	22,734	30,015	6,029	7,008		
Unrestricted	20,776	23,126	897	790		
Total Net Assets	$ 238,142	$ 244,366	$ 3,876	$ 5,171		
Decrease in Net Assets	$ (6,224)	-2.55%	$ (1,295)	-25.04%		

Revenues and expenses of the College and its component unit for the 2011-12 and 2010-11 fiscal years are shown in the following table:

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

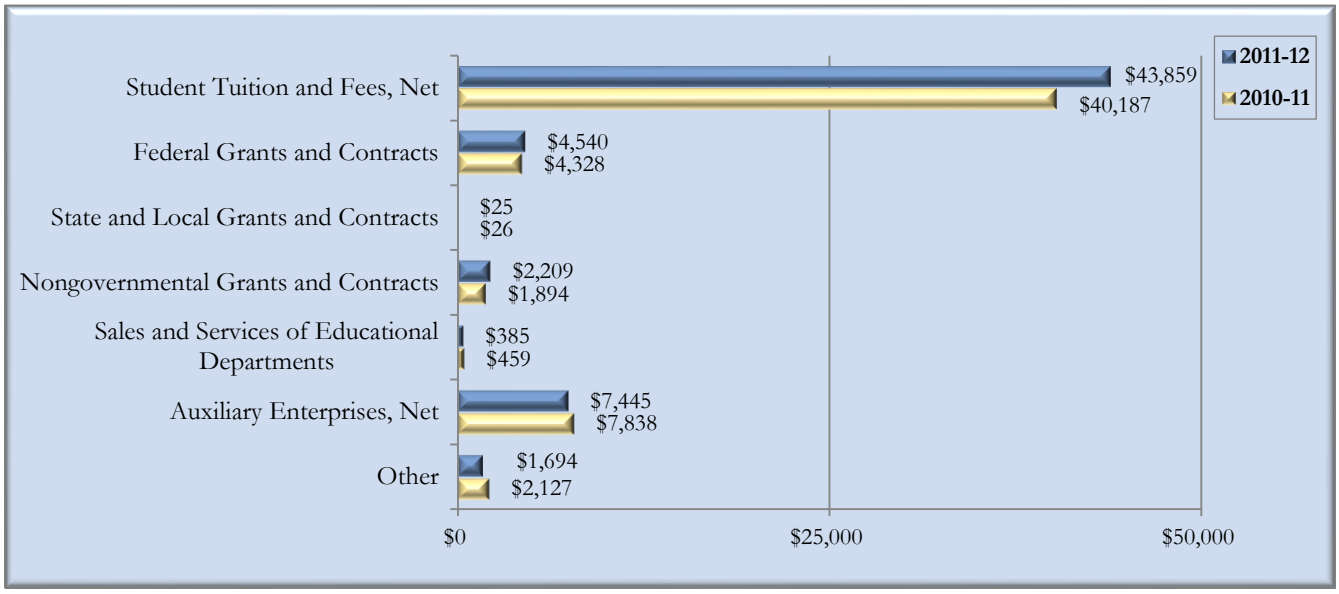
	College		Component Unit	
	6-30-12	6-30-11	6-30-12	6-30-11
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	$ 43,859	$ 40,187	$	$
Federal Grants and Contracts	4,540	4,328		
State and Local Grants and Contracts	25	26		
Nongovernmental Grants and Contracts	2,209	1,894	1,141	1,124
Sales and Services of Educational Departments	385	459		
Auxiliary Enterprises, Net of Scholarship Allowances	7,445	7,838		
Other Operating Revenues	1,694	2,127	3,166	2,984
Total Operating Revenues	60,157	56,859	4,307	4,108
Less, Operating Expenses	184,049	175,696	6,123	6,048
Operating Loss	(123,892)	(118,837)	(1,816)	(1,940)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	48,685	49,065	93	97
Federal and State Student Financial Aid	62,569	62,727		
Other Nonoperating Revenues	150	4,210	428	3,460
Nonoperating Expenses	(111)	(119)		
Net Nonoperating Revenues	111,293	115,883	521	3,557
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(12,599)	(2,954)	(1,295)	1,617
State Capital Appropriations	1,886	2,795		
Capital Grants, Contracts, Gifts, and Fees	4,489	10,951		
Increase (Decrease) in Net Assets	(6,224)	10,792	(1,295)	1,617
Net Assets, Beginning of Year	244,366	233,574	5,171	3,554
Net Assets, End of Year	$ 238,142	$ 244,366	$ 3,876	$ 5,171

Operating Revenues

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

The following chart presents the College's operating revenues for the 2011-12 and 2010-11 fiscal years:

Operating Revenues: College
(In Thousands)



College operating revenue changes were primarily the result of net student and tuition fees increasing $3.7 million due to enrollment growth and a 7 percent increase in tuition and fee rates in the 2011-12 fiscal year.

Operating Expenses

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

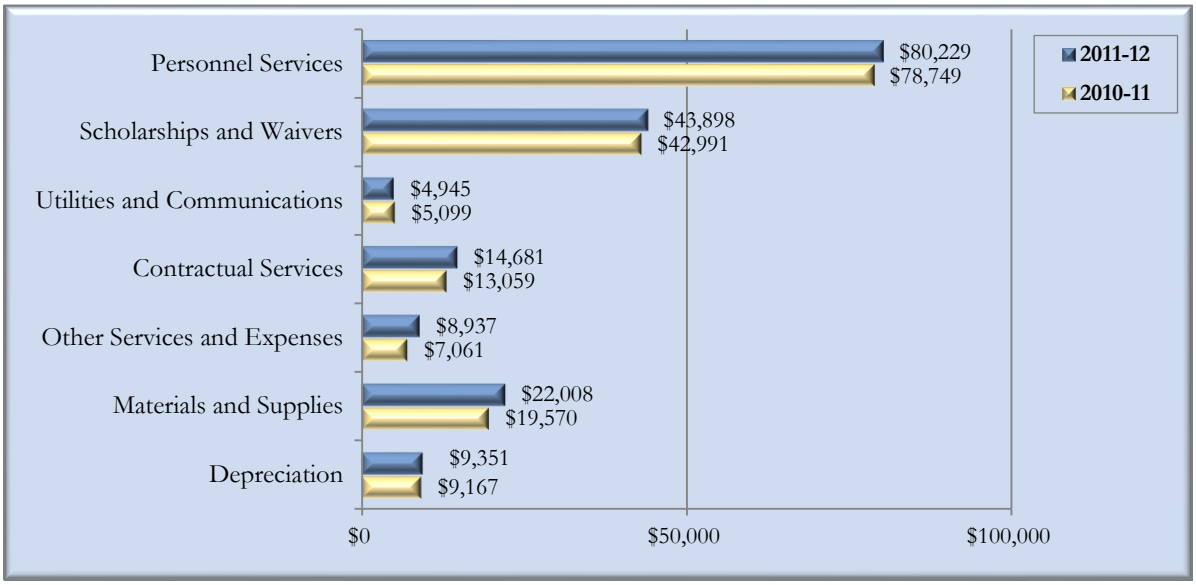
Operating expenses for the College and its component unit for the 2011-12 and 2010-11 fiscal years are presented in the following table:

Operating Expenses
For the Fiscal Years Ended
(In Thousands)

	College		Component Unit	
	6-30-12	6-30-11	6-30-12	6-30-11
Operating Expenses				
Personnel Services	$ 80,229	$ 78,749	$	$
Scholarships and Waivers	43,898	42,991	2,433	2,357
Utilities and Communications	4,945	5,099		
Contractual Services	14,681	13,059		
Other Services and Expenses	8,937	7,061	2,820	2,837
Materials and Supplies	22,008	19,570		
Depreciation	9,351	9,167	870	854
Total Operating Expenses	$ 184,049	$175,696	$ 6,123	$ 6,048

The following chart presents the College's operating expenses for the 2011-12 and 2010-11 fiscal years:

Operating Expenses: College
(In Thousands)



College operating expense changes were the result of the following factors:

- Material and supplies increased $2.4 million as a result of increases in purchases of noncapitalized equipment for information technology and minor renovation projects.
- Personnel services increased $1.5 million as a result of increase in cost for instructors due to enrollment growth and an increase in benefit costs.
- Other services and expenses increased $1.9 million as a result of the increase in repairs, maintenance, and other expenses.
- Contractual services increased by $1.6 million primarily due to $0.8 million in technology contracts related to an IT reengineering project.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital 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 2011-12 and 2010-11 fiscal years:

Nonoperating Revenues (Expenses): College
(In Thousands)

	2011-12	2010-11
State Noncapital Appropriations	$ 48,685	49,065
Federal and State Student Financial Aid	62,569	62,727
Investment Income	133	129
Other Nonoperating Revenues	17	4,081
Interest on Capital Asset-Related Debt	(111)	(119)
Net Nonoperating Revenues	$ 111,293	$ 115,883

Net nonoperating revenues decreased by $4.6 million primarily due to a decrease in the American Recovery and Reinvestment Act funds (ARRA) of $4 million.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2011-12 and 2010-11 fiscal years:

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

	2011-12	2010-11
State Capital Appropriations	$ 1,886	$ 2,795
Capital Grants, Contracts, Gifts, and Fees	4,489	10,951
Total	$ 6,375	$ 13,746

Capital grants, contracts, gifts and fees decreased by $6.5 million, which represents the Federal grant awarded to construct the Ybor City automotive facility, and donated property that was received, in the 2010-11 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 2011-12 and 2010-11 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College
(In Thousands)

	2011-12	2010-11
Cash Provided (Used) by:		
Operating Activities	$ (116,832)	$ (111,400)
Noncapital Financing Activities	112,268	115,817
Capital and Related Financing Activities	1,310	1,427
Investing Activities	173	196
Net Increase (Decrease) in Cash and Cash Equivalents	(3,081)	6,040
Cash and Cash Equivalents, Beginning of Year	38,911	32,871
Cash and Cash Equivalents, End of Year	$ 35,830	$ 38,911

Major sources of funds came from Federal and State student financial aid ($62.6 million), State noncapital appropriations ($48.7 million), net student tuition and fees ($41.5 million), Federal direct loan program receipts ($38.8 million), State capital appropriations ($10 million), and net auxiliary enterprises receipts ($7.5 million). Major uses of funds were for payments to employees and employee benefits ($80.3 million), payments to providers of goods and services ($44.8 million), payments for scholarships ($43.9 million), disbursements for the Federal direct loan program (37.7 million), and purchases of capital assets ($12.8 million).

Changes in cash and cash equivalents were the result of the following factors:

- The $5.3 million increase in cash outflows from operating activities is primarily due to $4.8 million increase in payments to suppliers, a $1 million increase in salaries and benefits payments, and a $0.9 million increase in scholarship payments, partially offset by increase in cash flows from tuition and fees of $2.5 million and a decrease in other operating receipts of $0.7 million.
- The $3.5 million decrease in cash inflows from noncapital financing activities is primarily due to a $4 million decrease in ARRA funds received that was reported as gifts and grants received for other than capital or endowment purposes in the 2010-11 fiscal year, offset by a $1 million net increase in Federal direct loan receipts.
- The $1.2 million increase in cash inflows from capital and related financing activities is primarily due to a $1.7 million increase in cash received from Public Education Capital Outlay (PECO) funds, offset by a $1 million decrease in capital grants and fees and an increase of $0.9 million to purchase capital assets.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the College had $299 million in capital assets, less accumulated depreciation of $102.3 million, for net capital assets of $196.7 million. Depreciation charges for the current fiscal year totaled $9.4 million. The following table summarizes the College's capital assets at June 30:

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

Capital Assets	2012	2011
Land	$ 29,666	$ 28,346
Construction in Progress	6,731	2,212
Buildings	235,464	230,429
Other Structures and Improvements	7,694	7,208
Furniture, Machinery, and Equipment	13,128	13,574
Leasehold Imporvements	6,376	6,376
Total	299,059	288,145
Less, Accumulated Depreciation:		
Buildings	84,622	77,745
Other Structures and Improvements	5,886	5,612
Furniture, Machinery, and Equipment	10,171	9,721
Leasehold Improvements	1,663	1,512
Total Accumulated Depreciation	102,342	94,590
Capital Assets, Net	$196,717	$ 193,555

The College has $3 million in major construction commitments at June 30, 2012. The commitments are for projects that include the Brandon campus new entry way remodeling and renovation, addition of Welding Lab at Ybor City Campus Training Center, and the Ybor City Campus Learning Resource Center and faculty remodeling and renovation. State appropriations together with local funds are expected to finance the construction, renovation, and purchase of land and facilities. 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 $2.1 million in State Board of Education (SBE) capital outlay bonds outstanding versus $2.3 million at the end of the prior fiscal year, a decrease of 8.7 percent.

The SBE issues capital outlay bonds on behalf of the College. During the 2011-12 fiscal year, there were no bond sales and debt repayments totaled $0.2 million. At June 30, 2012, the Hillsborough Community College Foundation, Inc., had $17.3 million in student housing revenue bonds outstanding. The bonds were issued in December 2006 to fund construction of a 420-bed student housing facility.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Hillsborough Community College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a decrease in State funding is anticipated in the 2012-13 fiscal year. In response to the anticipated decrease in State noncapital appropriations, the Board of Trustees increased the tuition rate 3 percent to take effect beginning with the Fall 2012 term. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, or other required supplementary information and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Administration /Chief Financial Officer, Hillsborough Community College, 39 Columbia Drive, Tampa, Florida 33606.

BASIC FINANCIAL STATEMENTS

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2012

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 18,787,469	$ 488,217
Restricted Cash and Cash Equivalents	5,532,280	2,083,810
Accounts Receivable, Net	9,389,504	395,958
Notes Receivable	10,231	
Due from Other Governmental Agencies	7,630,445	
Due from Component Unit/College	390,349	83,551
Inventories	1,592,851	
Prepaid Expenses	106,532	7,751
Total Current Assets	43,439,661	3,059,287
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	11,510,372	
Investments		6,195,303
Restricted Investments	166,936	
Notes Receivable	101,578	
Depreciable Capital Assets, Net	160,319,259	14,224,931
Nondepreciable Capital Assets	36,397,333	
Other Assets		288,190
Total Noncurrent Assets	208,495,478	20,708,424
TOTAL ASSETS	$ 251,935,139	$ 23,767,711
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 2,900,974	$ 41,784
Accrued Interest Payable		62,023
Salary and Payroll Taxes Payable	2,913,166	
Retainage Payable	350,825	
Due to Other Governmental Agencies	9,163	
Due to Component Unit/College	83,551	390,349
Deferred Revenue	51,943	26,029
Deposits Held for Others	1,449,859	
Long-Term Liabilities - Current Portion:		
Bonds Payable	255,000	470,000
Other Liabilities		563,415
Compensated Absences Payable	300,000	
Total Current Liabilities	8,314,481	1,553,600
Noncurrent Liabilities:		
Bonds Payable	1,830,000	16,805,000
Other Liabilities		1,533,134
Compensated Absences Payable	2,843,547	
Other Postemployment Benefits Payable	805,444	
Total Noncurrent Liabilities	5,478,991	18,338,134
TOTAL LIABILITIES	13,793,472	19,891,734

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2012

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 194,631,592	$ (3,050,069)
Restricted:		
Nonexpendable:		
Endowment		1,979,032
Expendable:		
Grants and Loans	3,680,075	1,923,559
Scholarships	1,306,633	2,126,027
Capital Projects	17,744,706	
Debt Service	3,023	
Unrestricted	20,775,638	897,428
Total Net Assets	238,141,667	3,875,977
TOTAL LIABILITIES AND NET ASSETS	$ 251,935,139	$ 23,767,711

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

HILLSBOROUGH COMMUNITY 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, 2012

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $21,876,652	$ 43,859,151	$
Federal Grants and Contracts	4,540,474	
State and Local Grants and Contracts	25,240	
Nongovernmental Grants and Contracts	2,209,334	1,141,656
Sales and Services of Educational Departments	384,775	
Auxiliary Enterprises, Net of Scholarship Allowances of $1,233,540	7,444,857	
Other Operating Revenues	1,693,385	3,165,822
Total Operating Revenues	60,157,216	4,307,478
EXPENSES		
Operating Expenses:		
Personnel Services	80,229,231	
Scholarships and Waivers	43,897,876	2,432,879
Utilities and Communications	4,945,274	
Contractual Services	14,680,819	
Other Services and Expenses	8,937,412	2,820,034
Materials and Supplies	22,007,838	
Depreciation	9,350,665	869,695
Total Operating Expenses	184,049,115	6,122,608
Operating Loss	(123,891,899)	(1,815,130)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	48,685,292	92,558
Federal and State Student Financial Aid	62,568,965	
Gifts and Grants		478,736
Investment Income	132,800	159,863
Realized Gain on Investments		45,579
Unrealized Gain (Loss) on Investments	17,238	(748,059)
Other Nonoperating Revenues		491,635
Interest on Capital Asset-Related Debt	(111,500)	
Net Nonoperating Revenues	111,292,795	520,312
Loss Before Other Revenues, Expenses, Gains, or Losses	(12,599,104)	(1,294,818)
State Capital Appropriations	1,886,126	
Capital Grants, Contracts, Gifts, and Fees	4,488,661	
Total Other Revenues	6,374,787	
Decrease in Net Assets	(6,224,317)	(1,294,818)
Net Assets, Beginning of Year	244,365,984	5,170,795
Net Assets, End of Year	$ 238,141,667	$ 3,875,977

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

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 41,471,233
Grants and Contracts	6,271,387
Payments to Suppliers	(44,790,493)
Payments for Utilities and Communications	(4,945,274)
Payments to Employees	(65,199,329)
Payments for Employee Benefits	(15,147,976)
Payments for Scholarships	(43,897,876)
Auxiliary Enterprises, Net	7,523,154
Sales and Service of Educational Departments	283,681
Other Operating Receipts	1,600,048
Net Cash Used by Operating Activities	(116,831,445)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	48,685,292
Federal and State Student Financial Aid	62,568,965
Federal Direct Loan Program Receipts	38,759,690
Federal Direct Loan Program Disbursements	(37,745,725)
Net Cash Provided by Noncapital Financing Activities	112,268,222
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	9,951,855
Capital Grants and Gifts	4,488,661
Purchases of Capital Assets	(12,774,098)
Principal Paid on Capital Debt	(245,000)
Interest Paid on Capital Debt	(111,500)
Net Cash Provided by Capital and Related Financing Activities	1,309,918
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	39,799
Investment Income	132,800
Net Cash Provided by Investing Activities	172,599
Net Decrease in Cash and Cash Equivalents	(3,080,706)
Cash and Cash Equivalents, Beginning of Year	38,910,827
Cash and Cash Equivalents, End of Year	$ 35,830,121

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2012

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (123,891,899)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	9,350,665
Changes in Assets and Liabilities:	
Receivables, Net	(2,941,358)
Inventories	244,949
Prepaid Expenses	6,067
Accounts Payable	402,636
Deferred Revenue	(101,721)
Compensated Absences Payable	(17,779)
Other Postemployment Benefits Payable	116,995
NET CASH USED BY OPERATING ACTIVITIES	$ (116,831,445)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized gains on investments were recognized as income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	$ 17,238

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

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Hillsborough Community 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 June 30, 2012.

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, administers property, and makes expenditures to or for the benefit of the College.

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

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

- 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
- Other Required Supplementary Information

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

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

The College follows GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless FASB pronouncements conflict with GASB pronouncements. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the College has the option to elect to apply all pronouncements of FASB issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

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

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

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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 applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

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

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

At June 30, 2012, the College reported as cash equivalents $24,245,226 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2012, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 38 days as of June 30, 2012. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

Capital Assets. College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and leasehold improvements. 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.

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

The College has a capitalization threshold of $5,000 for tangible personal property and $25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year.

2. INVESTMENTS

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

The College's investments at June 30, 2012, are reported at fair value, as follows:

Investment Type	Amount
SBA Fund B Surplus Funds Trust Fund	$ 163,913
SBA Debt Service Accounts	3,023
Total College Investments	$ 166,936

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

State Board of Administration Fund B Surplus Funds Trust Fund

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

At June 30, 2012, the College reported investments at fair value of $163,913 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 0.83481105 at June 30, 2012. The weighted-average life (WAL) of Fund B at June 30, 2012, was 5.73 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, 2012. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

State Board of Administration Debt Service Accounts

The College reported investments totaling $3,023 at June 30, 2012, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The college relies on policies developed by the SBA for managing interest rate risk or credit risk for this account. Disclosures for the debt service accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Unit Investments

The College's component unit reported investments totaling $6,195,303 at June 30, 2012, in open-end mutual funds and are reported at fair value.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a $1,739,094 allowance for doubtful accounts.

4. NOTES RECEIVABLE

Notes receivable represents the outstanding balance of a promissory note issued to the College by a Florida not-for-profit corporation dated September 30, 2011, for $116,803. The interest rate on the note is 3.21 percent per annum on the unpaid principal balance from the date of the note through and including December 1, 2021. Monthly fixed payments of $1,139 for principal and interest commenced on January 1, 2012, and are scheduled for 120 consecutive months.

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of $5,920,869 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

6. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The $83,551 reported as due to component unit consists of amounts owed by the College to the Hillsborough Community College Foundation, Inc. (Foundation), pursuant to an agreement to support the Foundation's operations dated December 1, 2006. Under the agreement, the College agrees to support the Foundation's student housing project in anticipation of benefits to the College and its students; and agrees to pay for utilities, security, internet service, and a maintenance technician. This agreement is in force until a letter of credit that is related to the project between the Foundation and a bank, has been terminated and no amount is owed by the Foundation to the bank under a Reimbursement Agreement. The Letter of Credit expires on December 15, 2013. There was no outstanding balance on the Letter of Credit at June 30, 2012. The amount due to the Foundation at June 30, 2012, represents the total amount due since the student housing project opened in January 2008. The agreement also provides for the Foundation to repay the College from project cash flows available under an indenture agreement. Due to the uncertainty of the timing of such payment, the College has expensed the reimbursement and will recognize the income when repayments are received from the Foundation.

The $390,349 reported as due from component unit by the College consists of amounts owed by the Foundation to the College as of June 30, 2012, for private grants awarded by the Foundation, but not paid to the College.

7. INVENTORIES

Inventories consist of items for resale by the campus bookstore, and are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation. 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.

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, is shown below:

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 28,345,956	$ 1,320,224	$	$ 29,666,180
Construction in Progress	2,212,439	9,951,939	5,433,225	6,731,153
Total Nondepreciable Capital Assets	$ 30,558,395	$ 11,272,163	$ 5,433,225	$ 36,397,333
Depreciable Capital Assets:				
Buildings	$ 230,428,920	$ 5,035,384	$	$ 235,464,304
Other Structures and Improvements	7,207,870	485,823		7,693,693
Furniture, Machinery, and Equipment	13,573,888	1,172,477	1,618,064	13,128,301
Leasehold Improvements	6,376,319			6,376,319
Total Depreciable Capital Assets	257,586,997	6,693,684	1,618,064	262,662,617
Less, Accumulated Depreciation:				
Buildings	77,744,847	6,877,837		84,622,684
Other Structures and Improvements	5,612,454	273,524		5,885,978
Furniture, Machinery, and Equipment	9,721,050	2,047,780	1,597,521	10,171,309
Leasehold Improvements	1,511,863	151,524		1,663,387
Total Accumulated Depreciation	94,590,214	9,350,665	1,597,521	102,343,358
Total Depreciable Capital Assets, Net	$ 162,996,783	$ (2,656,981)	$ 20,543	$ 160,319,259

9. DEFERRED REVENUE

Deferred revenue includes student tuition and fees received prior to fiscal year-end related to subsequent accounting periods and rental income. As of June 30, 2012, the College reported the following amounts as deferred revenue:

Description	Amount
Rental Income	$ 1,000
Student Tuition and Fees	50,943
Total Deferred Revenue	$ 51,943

10. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2012, include bonds payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2012, is shown below:

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$2,330,000	$	$ 245,000	$2,085,000	$255,000
Compensated Absences Payable	3,161,326	297,081	314,860	3,143,547	300,000
Other Postemployment Benefits Payable	688,449	204,692	87,697	805,444	
Total Long-Term Liabilities	$6,179,775	$501,773	$ 647,557	$6,033,991	$555,000

Bonds Payable. The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2012:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2009A	$ 2,085,000	4 - 5	2019

Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds		
	Principal	Interest	Total
2013	$ 255,000	$ 101,700	$ 356,700
2014	260,000	91,500	351,500
2015	280,000	78,500	358,500
2016	295,000	64,500	359,500
2017	315,000	49,750	364,750
2018-2019	680,000	51,500	731,500
Total	$ 2,085,000	$ 437,450	$ 2,522,450

Bonds Payable – Component Unit

The Foundation issued Student Housing Revenue Bonds, Series 2006 in the amount of $18.6 million on December 6, 2006. Interest on the bonds is payable at a variable rate equal to the municipal swap index rate, which was 0.09 percent at June 30, 2012. In conjunction with the issuance of the bonds, the Foundation entered into an interest rate swap agreement to effectively fix the interest rate on the bonds at 3.59 percent. The bonds mature on December 1, 2033. The proceeds raised from the issuance of the bonds were used to construct a 420-bed student housing facility which serves as collateral for the bonds. The future scheduled maturities of the bonds are as follows:

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Fiscal Year Ending June 30	Amount
2013	$ 470,000
2014	495,000
2015	520,000
2016	550,000
2017	575,000
2018-2033	14,665,000
Total Minimum Payments Required	$ 17,275,000

In conjunction with the issuance of the bonds, the Foundation also entered into an $18.6 million letter of credit agreement that serves as security for the bonds. The letter of credit expires on December 15, 2013. There was no outstanding balance on the letter of credit at June 30, 2012. The letter of credit is subject to certain restrictive financial covenants that the Foundation must maintain to remain in compliance with all covenants.

The Foundation pays an annual letter of credit fee based on a percentage of the outstanding balance on the bonds. That percentage ranges from 0.85 percent to 1.15 percent depending on the Foundation's debt service coverage ratio. During the continuance of any event of default, the applicable percentage is 2 percent.

Upon certain circumstances, the interest rate may be converted to a fixed rate. As long as the bonds carry a variable interest rate, they can be redeemed at the option of the bondholders. The Foundation has entered into an agreement that provides for the remarketing, to the extent possible, of the bonds in the event of redemption. In the event remarketing is unsuccessful, the letter of credit will be drawn upon to pay the trustee. The letter of credit is due the earlier of its expiration date or 180 days from the date of the draw.

Bond issuance costs of $311,288 are being amortized over the life of the bonds using the straight-line method, which approximates the effective-interest method. Bond issuance costs consist of the following:

	Amount
Bonds Underwriter's Discount and Issue Costs	$ 311,288
Less, Accumulated Amortization	(55,990)
Total	$ 255,298

Interest Rate Swap Agreement – Component Unit

On December 6, 2006, in conjunction with the issuance of the Bonds, the Foundation entered into an interest rate swap agreement for the purpose of converting the Bonds from an adjustable interest rate debt to a 3.59 percent fixed interest rate. The maturity date of the interest rate swap agreement is December 1, 2016, and after that date the Bonds will return to a variable interest rate. The Foundation records the interest rate swap agreement at fair value.

The fair value of the interest rate swap agreement is the estimated amount the Foundation would pay to terminate the agreement at the reporting date, taking into consideration current interest rates and the current

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

creditworthiness of the counterparties. The fair value of the Foundation's interest rate swap agreement at June 30, 2012, is $2,096,549 and is included as a liability in the Foundation's statement of financial position. The change in the fair value of the interest rate swap agreement was $469,111 for the fiscal year ended June 30, 2012, and is included as a reduction of revenues and support in the Foundation's statement of activities.

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2012, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $3,143,547. The current portion of the compensated absences liability, $300,000, is the amount expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program.

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

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer, defined-benefit plan administered by the College. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's health and hospitalization plan for medical, prescription drug, dental, vision, and life insurance 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. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The College does not issue a stand-alone report and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 28 retirees received other postemployment healthcare benefits and 105 retirees received life insurance benefits. The College provided required contributions of $87,697 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 $244,945.

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Annual OPEB Cost and Net OPEB Obligation. The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the College's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 142,254
Amortization of Unfunded Actuarial Accrued Liability	57,848
Annual Required Contribution	200,102
Interest on Net OPEB Obligation	27,538
Adjustment to Annual Required Contribution	(22,948)
Annual OPEB Cost (Expense)	204,692
Contribution Toward the OPEB Cost	(87,697)
Increase in Net OPEB Obligation	116,995
Net OPEB Obligation, Beginning of Year	688,449
Net OPEB Obligation, End of Year	$ 805,444

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, 2012, and for the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	$ 243,074	31.6%	$ 546,209
2010-11	242,899	41.4%	688,449
2011-12	204,692	42.8%	805,444

Funded Status and Funding Progress. As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was $1,735,452, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $1,735,452 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $42,651,654 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.1 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual

results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2011, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2012, and the College's 2011-12 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 10.5 percent pre-Medicare and 8.5 percent Medicare for the 2011-12 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 7 years pre-Medicare and 6 years Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2012, was 25 years.

11. RETIREMENT PROGRAMS

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

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

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

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

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Senior Management Service	3.00	6.27
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.
(B) Contribution rates are dependent upon retirement class in which reemployed.

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions including employee contributions for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled $3,470,635, $3,984,826, and $2,281,759, respectively, which were equal to the required contributions for each fiscal year.

There were 196 College participants in the Investment Plan during the 2011-12 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled $608,791, which was equal to the required contribution for the 2011-12 fiscal year.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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.

State College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible college instructors and administrators. The Program is designed to aid colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes, on behalf of the participant, 7.92 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 111 College participants during the 2011-12 fiscal year. The College's contributions to the Program totaled $579,656 and employee contributions totaled $206,401 for the 2011-12 fiscal year.

12. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2012, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Brandon Campus New Entry	$ 2,545,202	$ 1,260,552	$ 1,284,650
Other Projects (1)	6,256,632	4,524,413	1,732,219
Total	$ 8,801,834	$ 5,784,965	$ 3,016,869

Note: (1) Individual projects with current balance committed of less than $1 million at June 30, 2012.

13. OPERATING LEASE COMMITMENTS

The College leased vehicles, computers, and electrical transformers under operating leases, which expire in 2031. These leased assets and the related commitments are not reported on the College's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follow:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Fiscal Year Ending June 30	Amount
2013	$ 170,673
2014	156,708
2015	132,422
2016	82,285
2017	45,410
2018-2022	87,222
2023-2027	66,250
2028-2031	40,854
Total Minimum Payments Required	$ 781,824

14. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to $150 million to February 29, 2012, and up to $90 million from March 1, 2012. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

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

15. 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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Functional Classification	Amount
Instruction	$ 48,263,579
Public Services	3,034,862
Academic Support	7,869,873
Student Services	17,286,823
Institutional Support	22,914,748
Operation and Maintenance of Plant	24,507,256
Scholarships and Waivers	42,485,442
Depreciation	9,350,665
Auxiliary Enterprises	8,335,867
Total Operating Expenses	$ 184,049,115

HILLSBOROUGH COMMUNITY COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	$	$ 2,437,608	$ 2,437,608	0%	$ 39,174,207	6.2%
7/1/2009		2,399,186	2,399,186	0%	55,213,729	4.3%
7/1/2011		1,735,452	1,735,452	0%	42,651,654	4.1%

Note: (1) The College's OPEB actuarial accrued valuation used the projected unit credit actuarial method to estimate the actuarial accrued liability.

HILLSBOROUGH COMMUNITY COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2011, unfunded actuarial accrued liability of $1,735,452 was significantly lower than the July 1, 2009, liability of $2,399,186 as a result of:

- Demographic assumptions (rate of withdrawal, retirement, disability, and mortality) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of healthcare were updated, including a change to the methodology used to relate healthcare costs between ages.
- The rates of healthcare inflation used to project the per capita healthcare costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.

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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 financial statements of Hillsborough Community 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, 2012, 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 opinion 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is 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
March 20, 2013