

# HILLSBOROUGH COMMUNITY COLLEGE

---

## Financial Audit

For the Fiscal Year Ended  
June 30, 2009



## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2008-09 fiscal year are listed below:

Thomas Huggins, III, Vice Chair to 8-19-08,  
Chair from 8-20-08 (1)  
Rodrigo Jurado, Vice Chair from 8-20-08  
Nancy H. Watkins, Chair to 8-19-08 (1)  
Daniel M. Coton  
Andrew L. Graham

Dr. Gwendolyn W. Stephenson, President

Note:(1) These Board members served beyond the  
end of their term, May 31, 2009.

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](mailto: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](http://www.myflorida.com/audgen); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

HILLSBOROUGH COMMUNITY COLLEGE  
TABLE OF CONTENTS

	PAGE NO.
<b>EXECUTIVE SUMMARY</b> .....	i
<b>INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS</b> .....	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets .....	11
Statement of Revenues, Expenses, and Changes in Net Assets.....	13
Statement of Cash Flows.....	14
Notes to Financial Statements .....	16
<b>OTHER REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress – Other Postemployment Benefits Plan .....	35
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b> .....	
Internal Control Over Financial Reporting.....	36
Compliance and Other Matters .....	37

---

---

## 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:

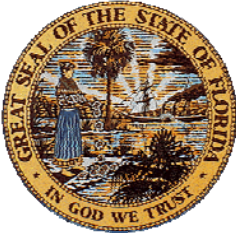
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied 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, 2009. 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, 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. 2010-047.

### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534  
FAX: 850-488-6975

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, 2009, which collectively comprise the College's basic financial statements as shown on pages 11 through 34. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for 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, 2009, 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.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 10, and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 35, are not required parts of the basic financial statements, but are 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  
March 25, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) of Hillsborough Community College provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2009, 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.

### FINANCIAL HIGHLIGHTS

The College's assets totaled \$249.1 million at June 30, 2009. This balance reflects a \$5.4 million, or 2.2 percent, increase from the 2007-08 fiscal year, resulting from a substantial increase in capital assets primarily related to the construction of the Ybor Student Services Building and Brandon campus remodeling; and a \$2.8 million increase in restricted cash in bank. While assets grew, liabilities decreased by \$1.2 million, or 8.4 percent, totaling \$13.2 million at June 30, 2009, compared to \$14.4 million at June 30, 2008 primarily due to a \$1.6 million decrease in retainage payable. As a result, the College's net assets increased by \$6.6 million, reaching a year-end balance of \$236 million.

The College's operating revenues totaled \$44.3 million for the 2008-09 fiscal year, representing a 6 percent increase over the 2007-08 fiscal year due mainly to a \$2.8 million increase in student tuition and fees. Operating expenses totaled \$134.8 million for the 2008-09 fiscal year, representing an increase of 8.1 percent over the 2007-08 fiscal year due mainly to a \$4.5 million increase in personnel costs and \$4.3 million increase in scholarships and waivers.

### 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 for the fiscal years ended June 30, 2009, and June 30, 2008, is shown in the following table:

**Condensed Statement of Net Assets at June 30**  
**(In Thousands)**

	College		Component Unit	
	6-30-09	6-30-08	6-30-09	6-30-08
<b>Assets</b>				
Current Assets	\$ 68,873	\$ 73,000	\$ 1,216	\$ 1,239
Capital Assets, Net	170,293	164,964	16,724	17,537
Other Noncurrent Assets	9,981	5,809	5,417	6,238
<b>Total Assets</b>	<b>249,147</b>	<b>243,773</b>	<b>23,357</b>	<b>25,014</b>
<b>Liabilities</b>				
Current Liabilities	6,589	8,116	1,052	1,104
Noncurrent Liabilities	6,577	6,257	18,365	18,300
<b>Total Liabilities</b>	<b>13,166</b>	<b>14,373</b>	<b>19,417</b>	<b>19,404</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	167,308	161,746		
Restricted	53,819	53,815	4,108	5,394
Unrestricted	14,854	13,839	(168)	216
<b>Total Net Assets</b>	<b>\$ 235,981</b>	<b>\$ 229,400</b>	<b>\$ 3,940</b>	<b>\$ 5,610</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 6,581</b>	<b>2.9%</b>	<b>\$ (1,670)</b>	<b>-29.8%</b>

Revenues and expenses of the College and its component unit for the 2008-09 and 2007-08 fiscal years are shown in the following table:

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Years Ended June 30**  
**(In Thousands)**

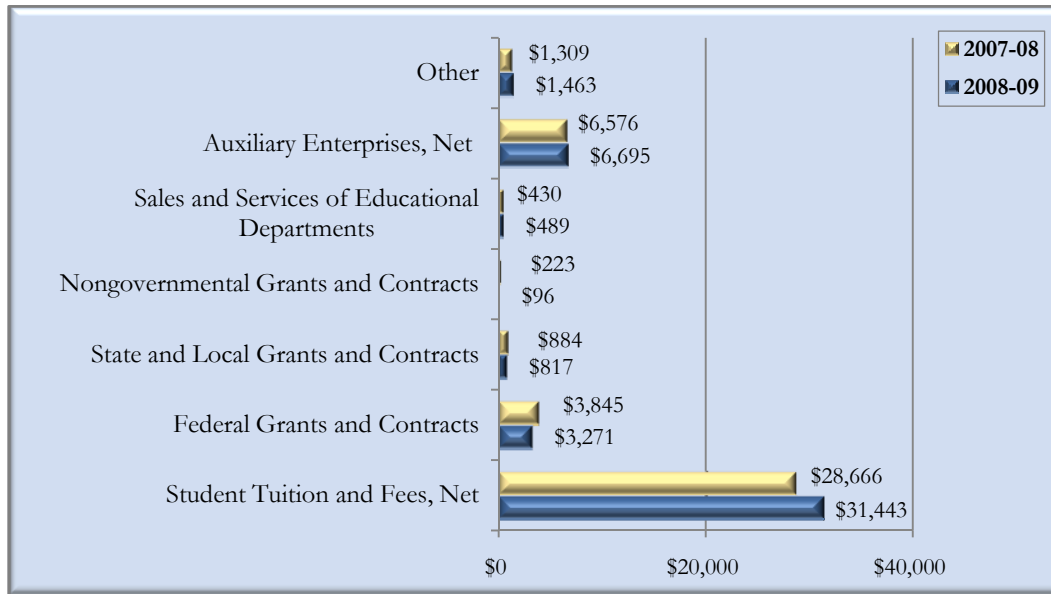
	College		Component Unit	
	6-30-09	6-30-08	6-30-09	6-30-08
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship				
Allowances	\$ 31,443	\$ 28,666	\$	\$
Federal Grants and Contracts	3,271	3,845		
State and Local Grants and Contracts	817	884		
Nongovernmental Grants and Contracts	96	223	943	924
Sales and Services of Educational Departments	489	430		
Auxiliary Enterprises, Net of Scholarship				
Allowances	6,695	6,576		
Other Operating Revenues	1,463	1,309	2,707	914
<b>Total Operating Revenues</b>	<b>44,274</b>	<b>41,933</b>	<b>3,650</b>	<b>1,838</b>
Less, Operating Expenses	134,811	124,717	5,965	4,123
<b>Operating Loss</b>	<b>(90,537)</b>	<b>(82,784)</b>	<b>(2,315)</b>	<b>(2,285)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	50,446	54,695	116	694
Other Nonoperating Revenues	30,747	22,927	951	1,040
Nonoperating Expenses	(301)	(464)	(822)	(313)
<b>Net Nonoperating Revenues</b>	<b>80,892</b>	<b>77,158</b>	<b>245</b>	<b>1,421</b>
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>				
Capital Appropriations	12,958	37,581		
Capital Grants, Contracts, Gifts, and Fees	3,268	2,257		
Other Revenues			400	
<b>Increase (Decrease) in Net Assets</b>	<b>6,581</b>	<b>34,212</b>	<b>(1,670)</b>	<b>(864)</b>
Net Assets, Beginning of Year	229,400	195,187	5,610	6,474
Adjustment to Beginning Net Assets		1		
<b>Net Assets, Beginning of Year, as Restated</b>	<b>229,400</b>	<b>195,188</b>	<b>5,610</b>	<b>6,474</b>
<b>Net Assets, End of Year</b>	<b>\$ 235,981</b>	<b>\$ 229,400</b>	<b>\$ 3,940</b>	<b>\$ 5,610</b>

### 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 2008-09 and 2007-08 fiscal years:

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



College operating revenue changes were primarily the result of the following factors: Student tuition and fees increased by \$2.8 million due to enrollment growth and a six percent increase in tuition.

**Operating Expenses**

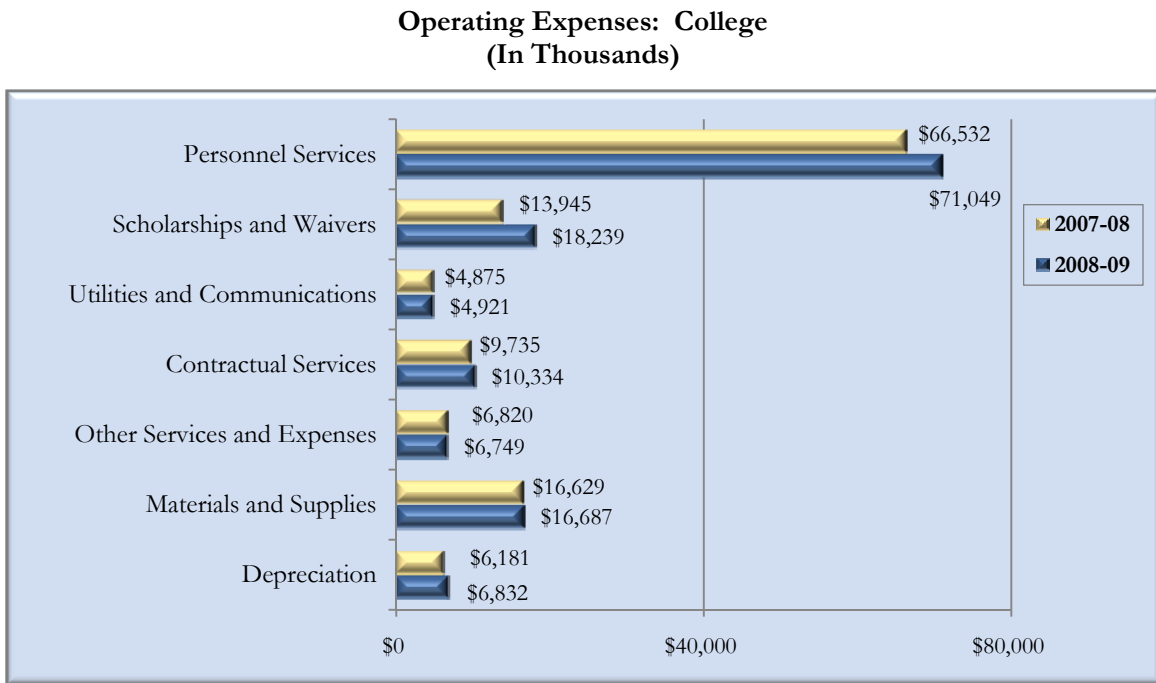
Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen 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 2008-09 and 2007-08 fiscal years are presented in the following table:

**Operating Expenses  
(In Thousands)**

	College		Component Unit	
	6-30-09	6-30-08	6-30-09	6-30-08
<b>Operating Expenses</b>				
Personnel Services	\$ 71,049	\$ 66,532	\$	\$
Scholarships and Waivers	18,239	13,945	2,027	1,978
Utilities and Communications	4,921	4,875		
Contractual Services	10,334	9,735		
Other Services and Expenses	6,749	6,820	3,079	1,742
Materials and Supplies	16,687	16,629		
Depreciation	6,832	6,181	859	403
<b>Total Operating Expenses</b>	<b>\$ 134,811</b>	<b>\$ 124,717</b>	<b>\$ 5,965</b>	<b>\$ 4,123</b>

The following chart presents the College’s operating expenses for the 2008-09 and 2007-08 fiscal years:



The overall increase in College operating expenses were primarily the result of a \$4.5 million increase in personnel cost and a \$4.3 million increase in scholarships and waivers. The increase in personnel cost is primarily due to the increase in salaries and the added cost for instruction as a result of the enrollment growth experienced in the 2008-09 fiscal year. The cost for instructional salaries and wages increased by \$2.3 million in the 2008-09 fiscal year. Scholarships and Waivers increased as a result of additional scholarships awarded resulting from a \$4.3 million increase in Federal student financial aid awarded over the previous fiscal year.

**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 2008-09 and 2007-08 fiscal years:

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

	2008-09	2007-08
State Appropriations	\$ 50,446	\$ 54,695
Gifts and Grants	30,398	21,845
Investment Income	309	943
Other Nonoperating Revenues	40	139
Other Nonoperating Expenses	(150)	(272)
Interest on Capital Asset-Related Debt	(151)	(192)
<b>Net Nonoperating Revenues</b>	<b>\$ 80,892</b>	<b>\$ 77,158</b>

Nonoperating revenues increased by \$3.7 million primarily due to a significant increase in gifts and grants of \$8.6 million dollars, which was offset by a decrease in State appropriation of \$4.2 million and a decrease in investment income of \$0.6 million. The decrease in State appropriations was the result of decreased State funding and the decrease in investment income which were due to the current economic conditions.

### 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 2008-09 and 2007-08 fiscal years:

<b>Other Revenues, Expenses, Gains, or Losses: College</b>		
<b>(In Thousands)</b>		
	<u>2008-09</u>	<u>2007-08</u>
Capital Appropriations	\$ 12,958	\$ 37,581
Capital Grants, Contracts, Gifts, and Fees	3,268	2,257
<b>Total</b>	<b><u>\$ 16,226</u></b>	<b><u>\$ 39,838</u></b>

Capital appropriations decreased as a result of the reduction in Public Education Capital Outlay (PECO) funding in the 2008-09 fiscal year as compared to the 2007-08 fiscal year. The College received PECO funding in the 2007-08 fiscal year for the construction of the Ybor Student Services Building. There were no new major construction projects in the 2008-09 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 2008-09 and 2007-08 fiscal years is presented in the following table:

<b>Condensed Statement of Cash Flows: College</b>		
<b>(In Thousands)</b>		
	<u>2008-09</u>	<u>2007-08</u>
Cash Provided (Used) by:		
Operating Activities	\$ (83,774)	\$ (77,510)
Noncapital Financing Activities	80,867	76,680
Capital and Related Financing Activities	6,143	5,343
Investing Activities	564	501
<b>Net Increase in Cash and Cash Equivalents</b>	<b>3,800</b>	<b>5,014</b>
Cash and Cash Equivalents, Beginning of Year	27,537	22,523
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 31,337</u></b>	<b><u>\$ 27,537</u></b>

Major sources of cash flows came from State appropriations (\$50.4 million), net student tuition and fees (\$30.6 million), grants and contracts (\$30.4 million), capital appropriations (\$17.2 million), and bookstore receipts (\$6.8 million).

Overall cash and cash equivalents increased by \$3.8 million, primarily as a result of the following factors:

- Cash flows provided by tuition and fees increased by \$1.8 million and payments for scholarships increased by \$4.3 million due to an increase in student enrollment.
- Cash used for payments to employees increased by \$3.3 million due to increased instructional costs associated with the increase in student enrollment.
- Cash flows provided by gifts and grant increased by \$8.4 million due to increases in Federal student financial aid and an increase in other gifts and grants.
- Cash flows provided by State appropriations decreased by \$4.2 million due to a reduction in State funding.
- Cash flows provided by capital appropriations decreased by \$8.4 million as the projects funded by capital appropriation have been completed. This decrease in cash flows was offset by a reduction of \$7.4 million in cash used to purchase capital assets.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2009, the College had \$249.4 million in capital assets, less accumulated depreciation of \$79.1 million, for net capital assets of \$170.3 million. Depreciation charges for the current fiscal year totaled \$6.8 million. The following table summarizes the College’s capital assets at June 30:

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

<u>Capital Assets</u>	<u>2009</u>	<u>2008</u>
Land	\$ 26,278	\$ 24,581
Buildings	193,598	171,834
Other Structures and Improvements	5,344	5,344
Furniture, Machinery, and Equipment	9,506	8,843
Assets Under Capital Leases		100
Leasehold Improvements	6,377	6,377
Construction in Progress	<u>8,290</u>	<u>20,737</u>
<b>Total</b>	<u>249,393</u>	<u>237,816</u>
Less, Accumulated Depreciation:		
Buildings	64,968	59,349
Other Structures and Improvements	5,011	4,801
Furniture, Machinery, and Equipment	7,912	7,554
Assets Under Capital Leases		90
Leasehold Improvements	<u>1,209</u>	<u>1,058</u>
<b>Total Accumulated Depreciation</b>	<u>79,100</u>	<u>72,852</u>
<b>Capital Assets, Net</b>	<u>\$ 170,293</u>	<u>\$ 164,964</u>

The College has \$13.8 million in construction contract commitments at June 30, 2009. The contract commitments are for projects that include the Ybor City Student Services Building, Brandon campus remodeling and renovation, chiller

plant expansion at the SouthShore Center, and replacement of the cooling tower at the Dale Mabry Campus. 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 \$3 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2009, and June 30, 2008:

**Long-Term Debt, at June 30: College  
(In Thousands)**

	2009	2008
SBE Capital Outlay Bonds	\$ 2,985	\$ 3,200
Capital Leases		18
<b>Total</b>	<b>\$ 2,985</b>	<b>\$ 3,218</b>

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2008-09 fiscal year, there were no bond sales and debt repayments totaled \$232,925. Additional information about the College’s long-term debt is presented in the notes to financial statements.

At fiscal year end, the Foundation had \$18.3 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, there was a \$5 million decrease in State funding for the coming year. The decrease in recurring State appropriations is partially being offset by \$3.9 million of nonrecurring funds provided from the American Recovery and Reinvestment Act of 2009. In response to a decrease in State appropriations, the Board of Trustees increased the tuition rate 8 percent to take effect beginning with the Fall 2009 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, 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, 2009**

	<u>College</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 18,442,217	\$ 203,004
Restricted Cash and Cash Equivalents	3,179,385	354,683
Accounts Receivable, Net	3,713,572	244,407
Due from Other Governmental Agencies	41,876,174	
Due from College		399,985
Inventories	1,578,152	
Prepaid Expenses	83,488	14,013
<b>Total Current Assets</b>	<u>68,872,988</u>	<u>1,216,092</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	9,715,892	
Restricted Investments	265,302	5,119,057
Depreciable Capital Assets, Net	135,725,284	16,723,526
Nondepreciable Capital Assets	34,567,553	
Other Assets		298,670
<b>Total Noncurrent Assets</b>	<u>180,274,031</u>	<u>22,141,253</u>
<b>TOTAL ASSETS</b>	<u>\$ 249,147,019</u>	<u>\$ 23,357,345</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 1,545,053	\$ 726,358
Salary and Payroll Taxes Payable	3,055,649	
Retainage Payable	485,445	
Due to Component Unit	399,985	
Deferred Revenue		25,638
Deposits Held for Others	372,818	
Long-Term Liabilities - Current Portion:		
Bonds Payable	230,000	300,000
Compensated Absences Payable	500,000	
<b>Total Current Liabilities</b>	<u>6,588,950</u>	<u>1,051,996</u>
Noncurrent Liabilities:		
Bonds Payable	2,755,000	18,000,000
Compensated Absences Payable	3,441,880	
Other Postemployment Benefits Payable	379,892	
Other Noncurrent Liabilities		364,908
<b>Total Noncurrent Liabilities</b>	<u>6,576,772</u>	<u>18,364,908</u>
<b>TOTAL LIABILITIES</b>	<u>13,165,722</u>	<u>19,416,904</u>

**HILLSBOROUGH COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**June 30, 2009**

	<u>College</u>	<u>Component Unit</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 167,307,837	\$
Restricted:		
Nonexpendable:		
Endowment		2,733,898
Expendable:		
Grants and Loans	3,400,893	352,649
Scholarships	541,748	1,022,274
Capital Projects	49,809,544	
Debt Service	67,461	
Unrestricted	<u>14,853,814</u>	<u>(168,380)</u>
<b>Total Net Assets</b>	<u>235,981,297</u>	<u>3,940,441</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 249,147,019</u>	<u>\$ 23,357,345</u>

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, 2009**

	<b>College</b>	<b>Component Unit</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$12,772,633	\$ 31,443,127	\$
Federal Grants and Contracts	3,270,759	
State and Local Grants and Contracts	816,832	
Nongovernmental Grants and Contracts	95,747	943,059
Sales and Services of Educational Departments	489,048	
Auxiliary Enterprises, Net of Scholarship		
Allowance of \$871,074	6,695,436	
Other Operating Revenues	1,462,551	2,706,830
	<b>44,273,500</b>	<b>3,649,889</b>
<b>Total Operating Revenues</b>		
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	71,048,633	
Scholarships and Waivers	18,238,765	2,026,487
Utilities and Communications	4,920,848	
Contractual Services	10,333,656	
Other Services and Expenses	6,749,161	3,079,417
Materials and Supplies	16,687,494	
Depreciation	6,832,374	858,858
	<b>134,810,931</b>	<b>5,964,762</b>
<b>Total Operating Expenses</b>		
<b>Operating Loss</b>		
	<b>(90,537,431)</b>	<b>(2,314,873)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	50,445,598	115,729
Gifts and Grants	30,398,289	765,616
Investment Income	309,744	185,075
Other Nonoperating Revenues	39,955	
Unrealized Loss on Investments	(150,240)	(821,451)
Interest on Capital Asset-Related Debt	(151,222)	
	<b>80,892,124</b>	<b>244,969</b>
<b>Net Nonoperating Revenues</b>		
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>		
	<b>(9,645,307)</b>	<b>(2,069,904)</b>
Capital Appropriations	12,958,162	
Capital Grants, Contracts, Gifts, and Fees	3,268,085	
Other Revenues		399,985
	<b>16,226,247</b>	<b>399,985</b>
<b>Total Other Revenues</b>		
<b>Increase (Decrease) in Net Assets</b>		
	<b>6,580,940</b>	<b>(1,669,919)</b>
Net Assets, Beginning of Year	229,400,357	5,610,360
	<b>\$ 235,981,297</b>	<b>\$ 3,940,441</b>
<b>Net Assets, End of Year</b>		

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, 2009**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 30,611,564
Grants and Contracts	4,420,356
Payments to Suppliers	(34,537,319)
Payments for Utilities and Communications	(4,920,848)
Payments to Employees	(56,136,145)
Payments for Employee Benefits	(14,233,810)
Payments for Scholarships	(18,238,765)
Auxiliary Enterprises, Net	6,828,783
Sales and Services of Educational Departments	489,048
Other Receipts	1,942,788
	<b>(83,774,348)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	50,445,598
Gifts and Grants Received for Other Than Capital or Endowment Purposes	30,421,216
	<b>80,866,814</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Appropriations	17,174,385
Capital Grants and Gifts	3,268,085
Purchases of Capital Assets	(13,915,175)
Principal Paid on Capital Debt and Leases	(232,925)
Interest Paid on Capital Debt and Leases	(151,222)
	<b>6,143,148</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	309,744
Sale and Maturities of Investments	255,024
	<b>564,768</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>3,800,382</b>
Cash and Cash Equivalents, Beginning of Year	27,537,112
	<b>\$ 31,337,494</b>

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS (Continued)  
For the Fiscal Year Ended June 30, 2009**

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (90,537,431)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,832,374
Changes in Assets and Liabilities:	
Receivables, Net	(402,442)
Inventories	(334,511)
Other Assets	21,072
Accounts Payable	99,421
Deferred Revenue	(62,410)
Deposits Held for Others	59,179
Compensated Absences Payable	365,527
Other Postemployment Benefits Payable	184,873
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (83,774,348)</b>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY**

The College recognized unrealized losses of \$150,240 on investing activities. The unrealized losses were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.

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, 2009**

**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 *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 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, 2009.

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.

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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

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

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College 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 to be 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 escrow agent, and cash held with the State Board of Administration Local Government Surplus Funds trust Fund Investment Pool (LGIP), which effective July 1, 2009, is known as Florida PRIME. 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 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

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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, 2009, the College reported as cash equivalents at fair value \$11,840,935 of moneys held in the 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, as of June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The LGIP carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 46 days as of June 30, 2009. 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; 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. 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, Educational Equipment – 5 years
  - Furniture – 7 years
  - Pianos – 10 years
- Leasehold Improvements – 40 years

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

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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

The College’s investments at June 30, 2009, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 197,841
State Board of Administration Debt Service Accounts	<u>67,461</u>
<b>Total College Investments</b>	<b><u>\$ 265,302</u></b>

**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 SBA, 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 date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the LGIP.

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

At June 30, 2009, the College reported investments at fair value of \$197,841 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 0.5137 at June 30, 2009. The weighted-average life (WAL) of Fund B at June 30, 2009, was 6.87 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, 2009. 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 at fair value totaling \$67,461 at June 30, 2009, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education 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 State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

**Component Unit Investments**

Investments held by the College’s component unit at June 30, 2009, are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Cash and Sweep Accounts	\$ 121,188
Open End Mutual Funds	<u>4,997,869</u>
<b>Total Component Unit Investments</b>	<b><u><u>\$ 5,119,057</u></u></b>

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferrals, 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 \$793,261 allowance for uncollectible accounts.

**4. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$ 40,596,149 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**5. DUE FROM AND TO COMPONENT UNIT/COLLEGE**

The \$399,985 reported as due from college/due to component unit consists of amounts owed by the College to the Foundation as of June 30, 2009, pursuant to a Support Agreement 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 matures on December 15, 2010. The amount due to the Foundation at June 30, 2009, 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 flow available under an indenture agreement. Due to the uncertainty of the timing of such payment, the College has expensed the reimbursement and will recognize income when repayments are received from the Foundation.

**6. INVENTORIES**

Inventories consist of items for resale by the campus bookstore and central stores, 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.

**7. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2009, is shown below:

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 24,581,276	\$ 1,696,563	\$	\$ 26,277,839
Construction in Progress	20,736,382	11,014,682	23,461,350	8,289,714
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 45,317,658</b>	<b>\$ 12,711,245</b>	<b>\$ 23,461,350</b>	<b>\$ 34,567,553</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 171,833,873	\$ 21,764,786	\$	\$ 193,598,659
Other Structures and Improvements	5,344,196			5,344,196
Furniture, Machinery, and Equipment (1)	8,843,423	1,246,808	584,525	9,505,706
Leasehold Improvements	6,376,319			6,376,319
Assets Under Capital Lease (1)	100,264		100,264	
<b>Total Depreciable Capital Assets</b>	<b>192,498,075</b>	<b>23,011,594</b>	<b>684,789</b>	<b>214,824,880</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	59,349,273	5,618,506		64,967,779
Other Structures and Improvements	4,800,552	210,323		5,010,875
Furniture, Machinery, and Equipment (1)	7,554,137	942,509	584,525	7,912,121
Leasehold Improvements	1,057,300	151,521		1,208,821
Assets Under Capital Lease (1)	90,484	9,780	100,264	
<b>Total Accumulated Depreciation</b>	<b>72,851,746</b>	<b>6,932,639</b>	<b>684,789</b>	<b>79,099,596</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 119,646,329</b>	<b>\$ 16,078,955</b>	<b>\$</b>	<b>\$ 135,725,284</b>

Note: (1) For Accumulated depreciation, additions for furniture, machinery, and equipment and reductions for assets under capital lease include a \$100,265 reclassification adjustment.

**8. LONG-TERM LIABILITIES**

Long-term liabilities of the College at June 30, 2009, include bonds payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 3,200,000	\$	\$ 215,000	\$ 2,985,000	\$ 230,000
Capital Leases Payable	17,925		17,925		
Compensated Absences Payable	3,576,353	755,644	390,117	3,941,880	500,000
Other Postemployment Benefits Payable	195,019	267,215	82,342	379,892	
<b>Total Long-Term Liabilities</b>	<b>\$ 6,989,297</b>	<b>\$ 1,022,859</b>	<b>\$ 705,384</b>	<b>\$ 7,306,772</b>	<b>\$ 730,000</b>

**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

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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 at June 30, 2009:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds: Series 1999A	\$ 2,985,000	4.125 - 4.75	2019

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2010	\$ 230,000	\$ 138,994	\$ 368,994
2011	240,000	128,931	368,931
2012	255,000	118,131	373,131
2013	270,000	106,656	376,656
2014	285,000	94,169	379,169
2015-2019	1,705,000	251,988	1,956,988
<b>Total</b>	<b>\$ 2,985,000</b>	<b>\$ 838,869</b>	<b>\$ 3,823,869</b>

**Bonds Payable – Component Unit.** The Foundation issued Student Housing Revenue Bonds, Series 2006 in the amount of \$18.6 million on December 6, 2006. The maturity date of the bond issue is December 1, 2033. The purpose of the variable interest rate bond issue was to construct a 420-bed student housing facility. The future scheduled maturities of the bond issue are as follows:

Fiscal Year Ending June 30	Amount
2010	\$ 300,000
2011	325,000
2012	400,000
2013	470,000
2014 - 2033	16,805,000
<b>Total</b>	<b>\$ 18,300,000</b>

Bond issue costs of \$1,089,843 were recorded in fiscal year ended June 30, 2007. During the 2007-08 fiscal year, \$770,834 was reclassified to the buildings account, and during the 2008-09 fiscal year, bond issue costs of \$7,721 and accumulated amortization was adjusted to agree with the calculation made by the management company for the student housing (Place Properties, LLC). The balance of \$311,288 is being amortized over

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

the life of the bonds (324 months) using the straight-line method. At June 30, 2009, bond issue costs consist of the following:

	Amount
Bond Underwriter's Discount and Issue Costs	\$ 311,288
Less, Accumulated Amortization	18,632
<b>Total</b>	<b>\$ 292,656</b>

**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, 2009, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$3,941,880. The current portion, \$500,000, of the compensated absences liability 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 implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment benefits administered by the College.

*Plan Description.* The Postemployment 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 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 is not included in the annual report of a public employee retirement system or another entity.

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

*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 and Plan members 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, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 171 retirees received postemployment healthcare benefits and 87 received life insurance benefits. The College provided required contributions of \$82,342 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 \$242,693.

*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 Board 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:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 186,611
Amortization of Unfunded Actuarial Accrued Liability	81,254
Interest on Normal Cost and Amortization	<u>                    </u>
<b>Annual Required Contribution</b>	267,865
Interest on Net OPEB Obligation	5,851
Adjustment to Annual Required Contribution	<u>(6,501)</u>
<b>Annual OPEB Cost (Expense)</b>	267,215
Contribution Toward the OPEB Cost	<u>(82,342)</u>
<b>Increase in Net OPEB Obligation</b>	184,873
Net OPEB Obligation, Beginning of Year	<u>195,019</u>
<b>Net OPEB Obligation, End of Year</b>	<u><u>\$ 379,892</u></u>

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009, and for the current and transition years, were as follows:

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	267,865	27.2%	195,019
2008-09	267,215	30.8%	379,892

*Funded Status and Funding Progress.* As of June 30, 2009, the actuarial accrued liability for benefits was \$2,623,409, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,623,409 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$41,527,855 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.3 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 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 initial OPEB actuarial valuation as of July 1, 2007, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and to estimate the 2008-09 fiscal year annual required contribution. This method was selected because it is the same method used in the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a three percent rate of return on invested assets, which is the College’s expectation of investment returns. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual health care cost trend rate of 8 percent initially for the 2008-09 fiscal

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

year, reduced by 1 percent next year, then one-half percent per year thereafter, to an ultimate rate of 5 percent after five years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll method. The remaining amortization period at June 30, 2009, was 28 years.

**9. 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 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. 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 Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at 6 years of service. All vested 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; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability and death benefits, and annual cost-of-living adjustments.

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 2008-09 fiscal year were as follows:

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Class	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
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
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 .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(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, 2007, June 30, 2008, and June 30, 2009, totaled \$2,904,991, \$3,264,328, and \$3,407,448 respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State 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, 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 PEORP vest at one year of service. There were 180 College participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$811,614.

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.

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**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, 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account.

There were 108 College participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$719,127.

**10. CONSTRUCTION COMMITMENTS**

The College's major construction commitments at June 30, 2009, are as follows:

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Project Description	Total Commitment	Completed to Date	Balance Committed
Brandon Campus Remodeling of Classrooms 601, 602, and 606:			
Architect	\$ 524,219	\$ 454,050	\$ 70,169
Contractor	5,114,373	1,987,668	3,126,705
Brandon Campus Remodeling and Renovations:			
Architect	377,574	209,315	168,259
Brandon Campus Academic Building Air Handling Unit Replacement:			
Architect	17,500	13,125	4,375
Contractor	220,148		220,148
Dale Mabry Campus Cooling Tower Replacement:			
Architect	21,985	20,611	1,374
Contractor	507,987	124,507	383,480
Dale Mabry Campus Interim Parking:			
Architect	49,900	37,429	12,471
Contractor	463,456		463,456
Ybor City Student Services Building:			
Architect	1,284,650	998,885	285,765
Contractor	10,762,133	2,417,415	8,344,718
Plant City Chiller Replacement:			
Architect	48,856	46,413	2,443
Contractor	405,906	377,000	28,906
SouthShore Center Chiller Plant Expansion:			
Architect	42,115	38,798	3,317
Contractor	779,555	138,068	641,487
<b>Total</b>	<b>\$ 20,620,357</b>	<b>\$ 6,863,284</b>	<b>\$ 13,757,073</b>

**11. OPERATING LEASE COMMITMENTS**

The College leased electrical transformers under operating leases, which expire in 2016. 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 non-cancelable operating leases are as follows:

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Fiscal Year Ending June 30	Amount
2010	\$ 29,069
2011	19,130
2012	15,819
2013	15,819
2014	15,819
2015-2016	30,319
<b>Total Minimum Payments Required</b>	<b>\$ 125,975</b>

**12. 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 \$200 million through February 28, 2009, and up to \$175 million effective March 1, 2009. 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, and long-term disability coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

**13. 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.

**14. SCHEDULE OF STATE REVENUE SOURCES**

Revenue from State sources for current operations is primarily from the College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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 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>
College Program Fund	\$ 43,722,477
Gross Receipts Tax (Public Education Capital Outlay)	12,229,767
Education Enhancement Trust Fund (Lottery)	6,065,254
Bright Futures Scholarship Program	4,058,482
Florida Student Assistance Grants	1,968,685
Motor Vehicle License Tax (Capital Outlay and Debt Service)	728,395
Restricted Contracts and Grants	625,654
Other State Sources	94,352
<b>Total</b>	<b>\$ 69,493,066</b>

**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:

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 43,581,341
Public Services	2,787,689
Academic Support	5,515,740
Student Services	13,237,834
Institutional Support	18,438,245
Operation and Maintenance of Plant	19,193,837
Scholarships and Fellowships	17,928,655
Depreciation	6,832,374
Auxiliary Enterprises	7,295,216
<b>Total Operating Expenses</b>	<b>\$ 134,810,931</b>

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

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b) (2)	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%

- Notes: (1) The most recent actuarial valuation was July 1, 2007. The College relied on that report and no updates had been issued since that date.
- (2) The actuarial cost method used by the College is the projected unit credit method.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534  
FAX: 850-488-6975

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, 2009, 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. 2010-047.

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  
March 25, 2010