

HILLSBOROUGH COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2010



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2009-10 fiscal year are listed below:

Rodrigo Jurado, Vice Chair to 8-18-09,
Chair from 8-19-09 (1)
Andrew L. Graham, Vice Chair from 8-19-09 (1)
Thomas Huggins, III, Chair to 8-18-09 (2)
Daniel M. Coton
Randall H. Reid from 8-19-09
Nancy H. Watkins

Dr. Gwendolyn W. Stephenson, President

- Notes: (1) Board member served beyond the end of his term, May 31, 2010.
(2) Board member served beyond the end of his 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 Ruth Pennewell, CPA, 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:

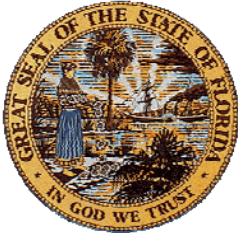
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied 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, 2010. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
Tallahassee, Florida 32399-1450



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of 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, 2010, which collectively comprise the College's basic financial statements as shown on pages 11 through 32. 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 represents 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, 2010, 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.

As discussed in note 2 to the financial statements, the Hillsborough Community College Foundation, Inc., corrected its reporting of net assets to reflect restrictions on certain net assets and to report the Foundation's investment in capital assets, net of related debt, for the fiscal year ended June 30, 2010. This change affects the comparability of

amounts reported for net assets, in the discretely presented component unit column on the statement of net assets, for the fiscal year ended June 30, 2010, to that of the prior fiscal year.

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** on pages 3 through 10 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 33 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 21, 2011

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, 2010, 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 \$247.6 million at June 30, 2010. This balance reflects a \$1.6 million, or 0.6 percent, decrease from the 2008-09 fiscal year. There was a \$20.7 million decrease in the amount due from other governmental agencies at June 30, 2010, as a result of the reduction in funding for construction projects in the 2009-10 fiscal year. This decrease was partially offset by a \$16.2 million increase in capital assets as a result of the completion of the Ybor City Student Services building, acquisition of property in Ybor City, and a \$1.4 million increase in accounts receivable related to the increase in tuition and fee revenues due from students at the end of the 2009-10 fiscal year. Liabilities increased by \$0.8 million, or 6.3 percent, totaling \$14 million at June 30, 2010, compared to \$13.2 million at June 30, 2009, primarily due to a \$0.8 million increase in retainage payable. As a result, the College's net assets decreased by \$2.4 million to \$233.6 million at June 30, 2010.

The College's operating revenues totaled \$48.4 million for the 2009-10 fiscal year, representing a 9.4 percent increase over the 2008-09 fiscal year due mainly to a \$3.2 million increase in student tuition and fees as a result of significant enrollment growth and increased tuition and fee rates. Operating expenses totaled \$159.6 million for the 2009-10 fiscal year representing an increase of 18.4 percent over the 2008-09 fiscal year due mainly to a \$14.2 million, or 77.7 percent increase in scholarships and waivers.

The Hillsborough Community College Foundation, Inc., has changed its reporting of net assets by reclassifying net assets of Hawks Landing (student housing) from restricted expendable net assets to unrestricted net assets and invested in capital assets, net of related debt; to reclassify Board-designated endowments from restricted nonexpendable net assets to restricted expendable net assets; and to reclassify the decrease in fair value of donor-restricted endowments from restricted expendable net assets to unrestricted net assets. Additional information related to these prior period adjustments is provided in note 2 to financial statements.

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 at June 30, 2010, and June 30, 2009, is shown in the following table:

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

	College		Component Unit	
	6-30-10	6-30-09	6-30-10	6-30-09 Restated (1)
Assets				
Current Assets	\$ 52,065	\$ 68,873	\$ 1,005	\$ 1,216
Capital Assets, Net	186,465	170,293	15,893	16,724
Other Noncurrent Assets	9,032	9,981	6,546	5,417
Total Assets	247,562	249,147	23,444	23,357
Liabilities				
Current Liabilities	8,170	6,589	1,149	1,052
Noncurrent Liabilities	5,818	6,577	18,741	18,365
Total Liabilities	13,988	13,166	19,890	19,417
Net Assets				
Invested in Capital Assets, Net of Related Debt	183,900	167,308	(3,716)	(1,576)
Restricted	33,267	53,819	5,797	5,896
Unrestricted	16,407	14,854	1,473	(380)
Total Net Assets	\$ 233,574	\$ 235,981	\$ 3,554	\$ 3,940
Decrease in Net Assets	\$ (2,407) -1.02%		\$ (386) -9.80%	

Note: (1) The component unit's restatement of net assets is discussed in note 2 to the financial statements.

Revenues and expenses of the College and its component unit for the 2009-10 and 2008-09 fiscal years ended, are shown in the following table:

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

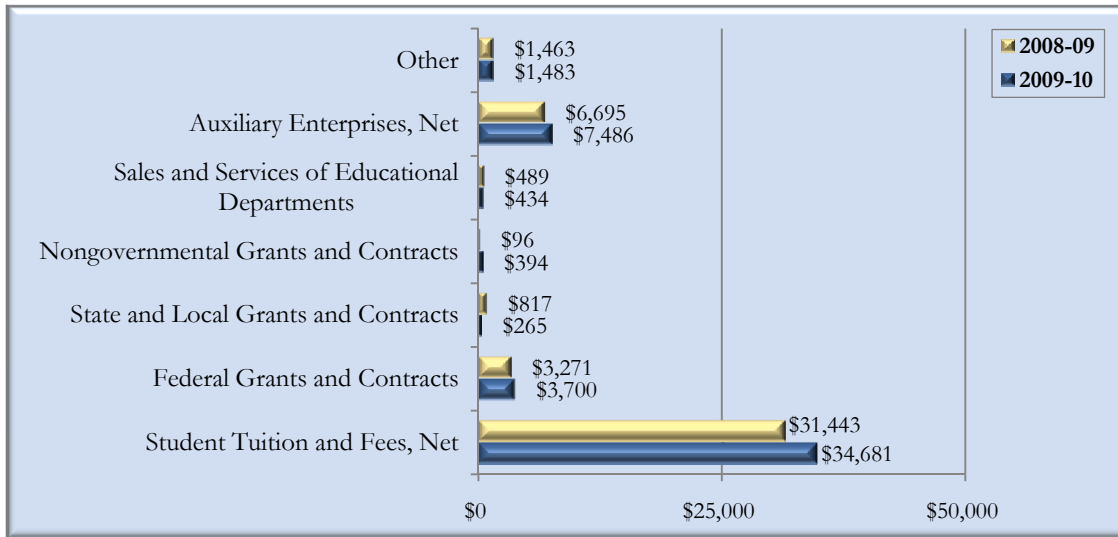
	College		Component Unit	
	6-30-10	6-30-09	6-30-10	6-30-09
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 34,681	\$ 31,443	\$	\$
Federal Grants and Contracts	3,700	3,271		
State and Local Grants and Contracts	265	817		
Nongovernmental Grants and Contracts	394	96	892	943
Sales and Services of Educational Departments	434	489		
Auxiliary Enterprises, Net of Scholarship Allowances	7,486	6,695		
Other Operating Revenues	1,483	1,463	2,973	2,707
Total Operating Revenues	48,443	44,274	3,865	3,650
Less, Operating Expenses	159,608	134,811	5,261	5,965
Operating Loss	(111,165)	(90,537)	(1,396)	(2,315)
Nonoperating Revenues (Expenses)				
State Appropriations	45,640	50,446	94	116
Other Nonoperating Revenues	56,456	30,747	1,079	951
Nonoperating Expenses	(113)	(301)	(163)	(822)
Net Nonoperating Revenues	101,983	80,892	1,010	245
Loss Before Other Revenues, Expenses, Gains, or Losses	(9,182)	(9,645)	(386)	(2,070)
Capital Appropriations	2,887	12,958		
Capital Grants, Contracts, Gifts, and Fees	3,888	3,268		
Other Revenues				400
Increase (Decrease) in Net Assets	(2,407)	6,581	(386)	(1,670)
Net Assets, Beginning of Year	235,981	229,400	3,940	5,610
Net Assets, End of Year	\$ 233,574	\$ 235,981	\$ 3,554	\$ 3,940

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 2009-10 and 2008-09 fiscal years:

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



College operating revenue changes were primarily the result of a \$3.2 million increase in student tuition and fees due to enrollment growth and an 8 percent increase in tuition and fee rates in the 2009-10 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.

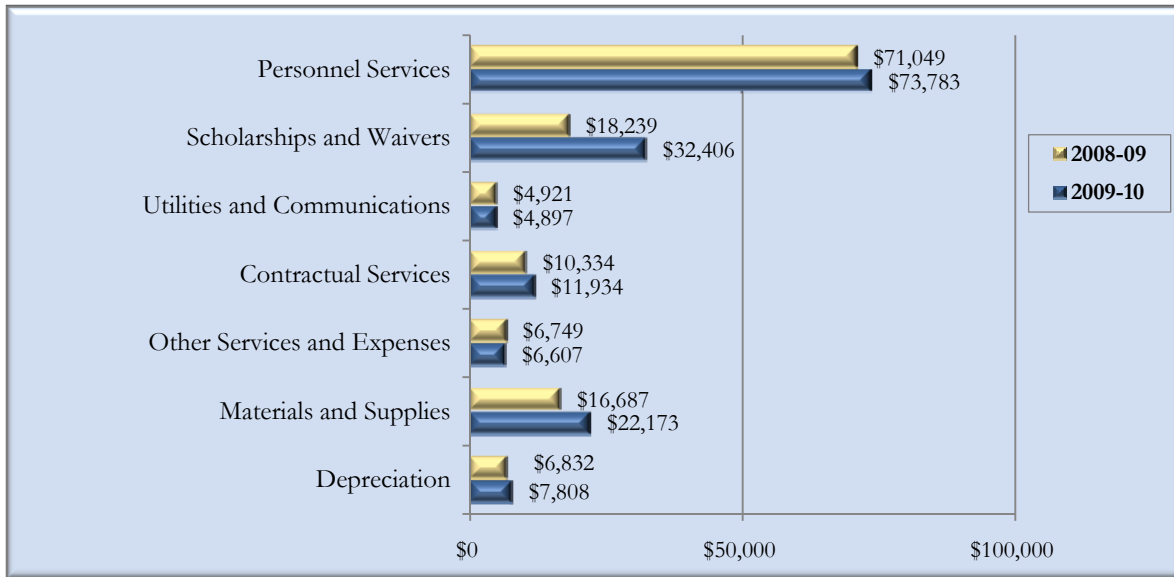
Operating expenses for the College and its component unit for the 2009-10 and 2008-09 fiscal years ended are presented in the following table:

**Operating Expenses
(In Thousands)**

	College		Component Unit	
	6-30-10	6-30-09	6-30-10	6-30-09
Operating Expenses				
Personnel Services	\$ 73,783	\$ 71,049	\$	\$
Scholarships and Waivers	32,406	18,239	1,766	2,027
Utilities and Communications	4,897	4,921		
Contractual Services	11,934	10,334		
Other Services and Expenses	6,607	6,749	2,643	3,079
Materials and Supplies	22,173	16,687		
Depreciation	7,808	6,832	852	859
Total Operating Expenses	\$ 159,608	\$ 134,811	\$ 5,261	\$ 5,965

The following chart presents the College’s operating expenses for the 2009-10 and 2008-09 fiscal years:

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



College operating expenses increased by \$24.8 million from the 2008-09 fiscal year. Operating expenses increased primarily as a result of a 3.8 percent increase in personnel services, a 77.7 percent increase in scholarships and waivers, and a 32.9 percent increase in materials and supplies. The increase in personnel services is primarily due to the increase in cost for instruction as a result of the enrollment growth experienced in the 2009-10 fiscal year. The cost for instructional salaries and wages increased by 6.3 percent in the 2009-10 fiscal year. Scholarships and waivers increased as a result of additional scholarship awards resulting from a 67 percent increase in student financial aid awarded over the prior fiscal year. Materials and supplies increased as a result of purchases for major information technology enhancement projects and direct material purchases for construction projects.

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 2009-10 and 2008-09 fiscal years:

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

	2009-10	2008-09
State Appropriations	\$ 45,640	\$ 50,446
Gifts and Grants	56,078	30,398
Investment Income	117	309
Other Nonoperating Revenues	261	40
Interest on Capital Asset-Related Debt	(108)	(151)
Other Nonoperating Expenses	(5)	(150)
Net Nonoperating Revenues	\$ 101,983	\$ 80,892

Net nonoperating revenues increased by \$21.1 million, primarily due to the following:

- Gifts and grants increased by \$25.7 million, which primarily was the result of an increase in student financial aid funds and receipt of \$3.9 million in Federal American Recovery and Reinvestment Act (ARRA) funds.
- State appropriations decreased by \$4.8 million from the 2008-09 fiscal year, due primarily to reduced College Program Funds appropriated by the Legislature.

Other Revenues, Expenses, Gains, or Losses

This category is 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 2009-10 and 2008-09 fiscal years:

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

	2009-10	2008-09
Capital Appropriations	\$ 2,887	\$12,958
Capital Grants, Contracts, Gifts, and Fees	3,888	3,268
Total	\$ 6,775	\$16,226

Capital appropriations decreased by \$10.1 million, due to a decrease in Public Education Capital Outlay (PECO) funding in the 2009-10 fiscal year as compared to 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 2009-10 and 2008-09 fiscal years is presented in the following table:

**Condensed Statement of Cash Flows: College
(In Thousands)**

	2009-10	2008-09
Cash Provided (Used) by:		
Operating Activities	\$ (104,893)	\$ (83,774)
Noncapital Financing Activities	101,885	80,867
Capital and Related Financing Activities	4,278	6,143
Investing Activities	264	564
Net Increase in Cash and Cash Equivalents	1,534	3,800
Cash and Cash Equivalents, Beginning of Year	31,337	27,537
Cash and Cash Equivalents, End of Year	\$ 32,871	\$ 31,337

Major sources of funds came from State appropriations (\$45.6 million), net student tuition and fees (\$33.3 million), noncapital gifts and grants (\$56.1 million), and capital appropriations (\$24 million). Major uses of funds were for payments to employees (\$59.8 million), payments to suppliers (\$40.6 million), payments for scholarships (\$32.4 million), and purchase of capital assets (\$23.1 million).

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

- The \$21.1 million increase in cash outflows from operating activities is primarily due to an increase in payments to suppliers, payments to employees, and payments for scholarships offset by an increase in tuition and fees.
- The \$21 million increase in cash inflows from noncapital financing activities is primarily due to an increase in Federal Pell grant funds received and the receipt of \$3.9 million of State appropriated ARRA funds in the 2009-10 fiscal year offset by a reduction in State appropriations.
- The \$1.9 million decrease in cash inflows from capital and related financing activities is primarily due to an increase in the purchase of capital assets offset by an increase in the receipt of PECO funds from the State.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2010, the College had \$273.1 million in capital assets, less accumulated depreciation of \$86.7 million, for net capital assets of \$186.5 million. Depreciation charges for the current fiscal year totaled \$7.8 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>2010</u>	<u>2009</u>
Land	\$ 27,571	\$ 26,278
Buildings	213,545	193,598
Other Structures and Improvements	6,495	5,344
Furniture, Machinery, and Equipment	11,649	9,506
Leasehold Improvements	6,376	6,377
Construction in Progress	<u>7,491</u>	<u>8,290</u>
Total	<u>273,127</u>	<u>249,393</u>
Less, Accumulated Depreciation:		
Buildings	71,060	64,968
Other Structures and Improvements	5,276	5,011
Furniture, Machinery, and Equipment	8,965	7,912
Leasehold Improvements	<u>1,361</u>	<u>1,209</u>
Total Accumulated Depreciation	<u>86,662</u>	<u>79,100</u>
Capital Assets, Net	<u>\$ 186,465</u>	<u>\$170,293</u>

The College has \$6.8 million in construction commitments at June 30, 2010. The construction commitments are for projects that include Brandon Campus remodeling and renovations, Ybor City auto mechanic facility renovation, and Dale Mabry Campus bookstore renovations. In addition, planning is underway for renovation of the Collaboration Studio building which was purchased in the 2009-10 fiscal year. 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 \$2.6 million in long-term debt outstanding versus \$3 million at the end of the prior fiscal year, a decrease of 13.3 percent.

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2009-10 fiscal year, the State Board of Education issued \$52.9 million of State Board of Education Capital Outlay Bonds, Series 2009A.

Proceeds from the College's portion of the bonds, \$2,825,000, were used to refund certain callable portions of the State Board of Education Capital Outlay Bonds, Series 1999A. Additional information about the College's long-term debt is presented in the notes to financial statements.

At June 30, 2010, the Hillsborough Community College Foundation, Inc., had \$18 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 modest increase in State funding is anticipated in the coming year. In response, the Board of Trustees increased the tuition rate 8 percent to take effect beginning with the Fall 2010 term. The College received \$3.9 million of nonrecurring funds from State appropriated ARRA to offset the \$4.8 million decrease in State appropriations for the 2009-10 fiscal year. The College anticipates receiving \$4 million additional ARRA funding in the 2010-11 fiscal year. ARRA funding is not anticipated after the 2010-11 fiscal year. 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, financial statements and notes thereto, or other required supplementary information, or requests for additional financial information should be addressed to Barbara A. Larson, 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, 2010**

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 19,028,781	\$ 759,977
Restricted Cash and Cash Equivalents	5,018,175	
Accounts Receivable, Net	5,090,270	184,791
Due from Other Governmental Agencies	21,168,395	
Due from Component Unit/College	106,013	51,931
Inventories	1,569,374	
Prepaid Expenses	83,720	7,983
Total Current Assets	52,064,728	1,004,682
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	8,824,105	1,086,775
Investments		5,179,034
Restricted Investments	207,866	
Depreciable Capital Assets, Net	151,403,752	15,892,931
Nondepreciable Capital Assets	35,061,570	
Other Assets		280,203
Total Noncurrent Assets	195,497,293	22,438,943
TOTAL ASSETS	\$ 247,562,021	\$ 23,443,625
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,619,720	\$ 125,953
Salary and Payroll Taxes Payable	3,595,529	
Retainage Payable	1,336,044	
Due to Component Unit/College	51,931	106,013
Deferred Revenue	367,070	49,219
Deposits Held for Others	464,806	
Long-Term Liabilities - Current Portion:		
Bonds Payable	235,000	325,000
Notes Payable		542,834
Compensated Absences Payable	500,000	
Total Current Liabilities	8,170,100	1,149,019
Noncurrent Liabilities:		
Bonds Payable	2,330,000	17,675,000
Notes Payable		1,065,938
Compensated Absences Payable	2,942,130	
Other Postemployment Benefits Payable	546,209	
Total Noncurrent Liabilities	5,818,339	18,740,938
TOTAL LIABILITIES	13,988,439	19,889,957

**HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2010**

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 183,900,321	\$ (3,715,841)
Restricted:		
Nonexpendable:		
Endowment		1,650,747
Expendable:		
Grants and Loans	3,907,939	1,901,788
Scholarships	868,785	2,244,424
Capital Projects	28,482,784	
Debt Service	6,689	
Unrestricted	16,407,064	1,472,550
Total Net Assets	233,573,582	3,553,668
TOTAL LIABILITIES AND NET ASSETS	\$ 247,562,021	\$ 23,443,625

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, 2010

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$20,845,585	\$ 34,681,106	\$
Federal Grants and Contracts	3,699,777	
State and Local Grants and Contracts	265,190	
Nongovernmental Grants and Contracts	394,412	892,309
Sales and Services of Educational Departments	433,790	
Auxiliary Enterprises, Net of Scholarship Allowances of \$1,288,848	7,485,723	
Other Operating Revenues	1,482,912	2,972,969
Total Operating Revenues	48,442,910	3,865,278
EXPENSES		
Operating Expenses:		
Personnel Services	73,783,088	
Scholarships and Waivers	32,405,500	1,766,090
Utilities and Communications	4,897,112	
Contractual Services	11,934,012	
Other Services and Expenses	6,607,111	2,642,692
Materials and Supplies	22,173,054	
Depreciation	7,808,320	852,291
Total Operating Expenses	159,608,197	5,261,073
Operating Loss	(111,165,287)	(1,395,795)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	45,640,478	93,799
Gifts and Grants	56,078,530	646,387
Investment Income	116,656	97,894
Unrealized Gain on Investments	89,739	
Other Nonoperating Revenues	171,000	334,486
Interest on Capital Asset-Related Debt	(107,652)	
Other Nonoperating Expenses	(5,584)	(163,544)
Net Nonoperating Revenues	101,983,167	1,009,022
Loss Before Other Revenues, Expenses, Gains, or Losses	(9,182,120)	(386,773)
Capital Appropriations	2,886,661	
Capital Grants, Contracts, Gifts, and Fees	3,887,744	
Total Other Revenues	6,774,405	
Decrease in Net Assets	(2,407,715)	(386,773)
Net Assets, Beginning of Year	235,981,297	3,940,441
Net Assets, End of Year	\$ 233,573,582	\$ 3,553,668

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, 2010

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 33,282,608
Grants and Contracts	3,905,438
Payments to Suppliers	(40,630,732)
Payments for Utilities and Communications	(4,897,112)
Payments to Employees	(59,764,430)
Payments for Employee Benefits	(13,812,993)
Payments for Scholarships	(32,405,500)
Auxiliary Enterprises, Net	7,875,374
Sales and Service of Educational Departments	433,790
Other Receipts	1,120,602
	(104,892,955)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	45,640,478
Gifts and Grants Received for Other Than Capital or Endowment Purposes	56,078,530
Other Nonoperating Receipts	165,416
	101,884,424
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	2,825,000
Capital Appropriations	24,048,381
Capital Grants and Gifts	3,887,744
Purchases of Capital Assets	(23,130,206)
Principal Paid on Capital Debt	(3,245,000)
Interest Paid on Capital Debt	(107,652)
	4,278,267
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	147,175
Investment Income	116,656
	263,831
Net Increase in Cash and Cash Equivalents	1,533,567
Cash and Cash Equivalents, Beginning of Year	31,337,494
Cash and Cash Equivalents, End of Year	\$ 32,871,061

**HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2010**

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (111,165,287)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	7,808,320
Changes in Assets and Liabilities:	
Receivables, Net	(2,042,665)
Due from Component Unit	106,013
Inventories	8,778
Prepaid Expenses	(232)
Accounts Payable	74,667
Salary and Payroll Taxes Payable	539,880
Due to Component Unit	(348,054)
Deferred Revenue	367,070
Deposits Held for Others	91,988
Compensated Absences Payable	(499,750)
Other Postemployment Benefits Payable	166,317
NET CASH USED BY OPERATING ACTIVITIES	\$ (104,892,955)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES	
Unrealized gains were recognized as increases in investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ 89,739

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, 2010

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. This organization provides funding and services to support and foster the pursuit of higher education at the College.

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, 2010.

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

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the 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

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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 GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless the 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 appropriations, Federal and State student financial aid, American Recovery and Reinvestment Act funds, investment income, and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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 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 funds invested in the State Board of Administration (SBA) Florida PRIME investment pool, formerly known as the Local Government Surplus Fund Trust Fund 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 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, 2010, the College reported as cash equivalents at fair value \$23,980,694 of moneys held 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, 2010, 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 46 days as of June 30, 2010. 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

**HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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, 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. COMPONENT UNIT ADJUSTMENTS TO NET ASSETS

During the 2009-10 fiscal year, the Hillsborough Community College Foundation, Inc. (Foundation), identified restrictions on net assets that were improperly reported in prior fiscal years, as follows:

- The Foundation previously classified all endowments as restricted nonexpendable net assets; however, some of the endowments were established by the Foundation's Board of Directors and not by donors. These endowments, totaling \$1,146,833, were reclassified from restricted nonexpendable net assets to restricted expendable net assets.
- The Foundation previously classified the activity of Hawks Landing as restricted expendable net assets; however, it was subsequently determined that the net assets for Hawks Landing represent donor-imposed restrictions. The cumulative net asset deficit, totaling \$587,760, for Hawks Landing was reclassified from restricted expendable net assets to unrestricted net assets. Student housing revenues totaling \$2,401,196 for the 2008-09 fiscal year were reclassified from restricted expendable net assets to unrestricted net assets, and net assets released from restrictions were decreased by \$3,142,496.
- Unrealized losses on investments of donor-designated endowments totaling \$459,083 at June 30, 2009, were reclassified from restricted expendable net assets to unrestricted net assets.

In addition, the College reclassified amounts related to the Foundation's investment in capital assets from unrestricted net assets to invested in capital assets, net of related debt.

**HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

The following schedule shows net assets as of June 30, 2009, restated to reflect these changes.

Description	Balance 6-30-09	Additions	Reductions	Balance 6-30-09 Restated
Invested in Capital Assets, Net of Related Debt	\$	\$	\$ 1,576,474	\$ (1,576,474)
Restricted:				
Nonexpendable:				
Endowment	2,733,898		1,146,833	1,587,065
Expendable:				
Grants and Loans	352,649			352,649
Scholarships	1,022,274	5,336,172	2,401,196	3,957,250
Unrestricted	(168,380)	3,977,670	4,189,339	(380,049)
Total Net Assets	\$ 3,940,441	\$ 9,313,842	\$ 9,313,842	\$ 3,940,441

3. 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; 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, 2010, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 201,177
State Board of Administration Debt Service Accounts	6,689
Total College Investments	\$ 207,866

**HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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 to 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 Florida PRIME investment pool, 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 Florida PRIME investment pool.

At June 30, 2010, the College reported investments at fair value of \$201,177 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 0.67353149 at June 30, 2010. The weighted-average life (WAL) of Fund B at June 30, 2010, was 8.05 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, 2010. 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 \$6,689 at June 30, 2010, 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, 2010 are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Open-End Mutual Funds	<u>\$ 5,179,034</u>
Total Component Unit Investments	<u><u>\$ 5,179,034</u></u>

4. 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 \$1,294,282 allowance for uncollectible accounts.

**HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$19,060,096 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

6. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The \$51,931 reported as due to the component unit/due from College consists of amounts owed by the College to the Foundation as of June 30, 2010, 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, 2010, 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.

The \$106,013 reported as due from component unit/due to College consists of amounts owed by the Foundation to the College as of June 30, 2010, 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, 2010, is shown below:

**HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 26,277,839	\$ 1,293,000	\$	\$ 27,570,839
Construction in Progress	8,289,714	21,591,022	22,390,005	7,490,731
Total Nondepreciable Capital Assets	\$ 34,567,553	\$ 22,884,022	\$ 22,390,005	\$ 35,061,570
Depreciable Capital Assets:				
Buildings	\$ 193,598,659	\$ 19,946,298	\$	\$ 213,544,957
Other Structures and Improvements	5,344,196	1,150,707		6,494,903
Furniture, Machinery, and Equipment	9,505,706	2,389,783	246,405	11,649,084
Leasehold Improvements	6,376,319			6,376,319
Total Depreciable Capital Assets	214,824,880	23,486,788	246,405	238,065,263
Less, Accumulated Depreciation:				
Buildings	64,967,779	6,092,231		71,060,010
Other Structures and Improvements	5,010,875	265,141		5,276,016
Furniture, Machinery, and Equipment	7,912,121	1,299,427	246,405	8,965,143
Leasehold Improvements	1,208,821	151,521		1,360,342
Total Accumulated Depreciation	79,099,596	7,808,320	246,405	86,661,511
Total Depreciable Capital Assets, Net	\$ 135,725,284	\$ 15,678,468	\$	\$ 151,403,752

9. DEFERRED REVENUE

As of June 30, 2010, the College reported the following amounts as deferred revenue:

Description	Amount
Student Tuition and Fees	\$ 267,070
Commissions	100,000
Total Deferred Revenue	\$ 367,070

10. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2010, include bonds payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2010, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 2,985,000	\$ 2,825,000	\$ 3,245,000	\$ 2,565,000	\$ 235,000
Compensated Absences Payable	3,941,880	9,766	509,516	3,442,130	500,000
Other Postemployment Benefits Payable	379,892	243,074	76,757	546,209	
Total Long-Term Liabilities	\$ 7,306,772	\$ 3,077,840	\$ 3,831,273	\$ 6,553,339	\$ 735,000

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, 2010**

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, 2010:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds: Series 2009A	<u>\$ 2,565,000</u>	3 - 5	2019

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2011	\$ 235,000	\$ 118,550	\$ 353,550
2012	245,000	111,500	356,500
2013	255,000	101,700	356,700
2014	260,000	91,500	351,500
2015	280,000	78,500	358,500
2016-2019	1,290,000	165,750	1,455,750
Total	<u>\$ 2,565,000</u>	<u>\$ 667,500</u>	<u>\$ 3,232,500</u>

On August 15, 2009, the State Board of Education issued \$52,915,000 of State Board of Education Capital Outlay Bonds, Series 2009A. The College’s portion of the bonds, \$2,825,000, was used to refund \$2,985,000 of outstanding State Board of Education Capital Outlay Bonds, Series 1999A. As a result of the refunding, the College had a debt service savings of \$257,827 and obtained an economic gain of \$226,118.

Bonds Payable – Component Unit. The Hillsborough Community College Foundation, Inc. (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 0.23 percent at June 30, 2010. 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:

Years Ending June 30	Principal
2011	\$ 325,000
2012	400,000
2013	470,000
2014	495,000
2015	520,000
2016-2033	15,790,000
Total	<u>\$ 18,000,000</u>

**HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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, 2010. There was no outstanding balance on the letter of credit at June 30, 2010. The letter of credit is subject to certain restrictive financial covenants that the Foundation must maintain with respect to debt service coverage. As of June 30, 2010, management believes the Foundation is 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 draw.

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

	Amount
Bonds Underwriter's Discount and Issue Costs	\$ 311,288
Less, Accumulated Amortization	(31,085)
Total	\$ 280,203

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, 2010, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$3,442,130. The current portion 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 follows Governmental Accounting Standards Board (GASB) 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 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

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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 employees’ retirement system or another entity.

Funding Policy. Plan contribution requirements and benefits may be amended by the Board of Trustees. Benefits under the Plan are pursuant to provisions of Section 112.0801, Florida Statutes. 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 2009-10 fiscal year, 28 retirees received postemployment health care benefits and 87 retirees received life insurance benefits. The College provided required contributions of \$76,757 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 \$298,272.

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:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 162,348
Amortization of Unfunded Actuarial Accrued Liability	82,372
Annual Required Contribution	244,720
Interest on Net OPEB Obligation	11,397
Adjustment to Annual Required Contribution	(13,043)
Annual OPEB Cost (Expense)	243,074
Contribution Toward the OPEB Cost	(76,757)
Increase in Net OPEB Obligation	166,317
Net OPEB Obligation, Beginning of Year	379,892
Net OPEB Obligation, End of Year	\$ 546,209

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The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010, and for the transition and preceding years were as follows:

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
2009-10	243,074	31.6%	546,209

Funded Status and Funding Progress. As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$2,399,186 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,399,186 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$55,213,729 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.3 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 OPEB actuarial valuation as of July 1, 2009, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the College's 2009-10 fiscal year ARC. 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 3 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 healthcare cost trend rate of 8 percent for the 2009-10 fiscal year, reduced by 0.1 to 0.3 percent per year thereafter, to an ultimate rate of 4.5 percent after 18 years. The unfunded actuarial accrued liability is being amortized over

**HILLSBOROUGH COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

30 years using the level percentage of projected payroll method. The remaining amortization period at June 30, 2010, was 27 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 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 six 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 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 2009-10 fiscal year were as follows:

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 or Plan	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 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

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JUNE 30, 2010

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 for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$3,264,328, \$3,407,448, and \$3,470,635, 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 PEORP vest at one year of service. There were 188 College participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$806,505.

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, 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 105 College participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled \$712,164.

**HILLSBOROUGH COMMUNITY COLLEGE
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JUNE 30, 2010**

12. CONSTRUCTION COMMITMENTS

The College’s construction commitments at June 30, 2010, are as follows:

Project Description	Total Committed	Completed to Date	Balance Committed
Ybor City Auto Mechanic Facility Renovation:			
Architect	\$ 225,668	\$ 170,294	\$ 55,374
Contractor	2,673,322		2,673,322
Brandon Campus Remodeling /Renovation of Classrooms 601, 602, and 606:			
Architect	588,734	562,444	26,290
Contractor	6,400,000	4,362,504	2,037,496
Brandon Campus New Entry Way Remodeling/Renovation:			
Architect	377,450	241,604	135,846
Dale Mabry Campus Bookstore Renovation:			
Architect	45,100	40,964	4,136
Contractor	411,831	127,744	284,087
Other Projects:			
Architect	613,170	428,377	184,793
Contractor	1,832,733	404,604	1,428,129
Total	<u>\$ 13,168,008</u>	<u>\$ 6,338,535</u>	<u>\$ 6,829,473</u>

13. 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 noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2011	\$ 19,131
2012	15,819
2013	15,819
2014	15,819
2015	15,819
2016	<u>14,501</u>
Total Minimum Payments Required	<u>\$ 96,908</u>

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

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JUNE 30, 2010**

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 \$175 million through February 28, 2010, and up to \$150 million starting March 1, 2010. 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.

Employee health and hospitalization, dental, life, and long-term disability coverage are provided through purchased commercial insurance with minimum deductibles for each line of coverage.

15. 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 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	\$ 39,997,597
Educational Enhancement Trust Fund (Lottery)	5,642,881
Bright Futures Scholarship Program	4,143,039
Florida Student Assistance Grants	2,131,621
Gross Receipts Tax (Public Education Capital Outlay)	1,989,061
Motor Vehicle License Tax (Capital Outlay and Debt Service)	897,600
Restricted Contracts and Grants	622,388
Other State Sources	<u>301,959</u>
Total	<u><u>\$ 55,726,146</u></u>

**HILLSBOROUGH COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

16. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

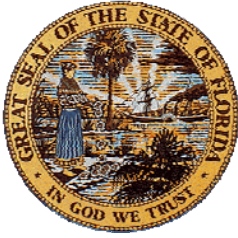
The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which 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:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 44,795,822
Public Services	2,823,004
Academic Support	7,333,725
Student Services	13,077,150
Institutional Support	19,528,726
Operation and Maintenance of Plant	23,417,899
Scholarships and Fellowships	32,317,219
Depreciation	7,808,320
Auxiliary Enterprises	<u>8,506,332</u>
Total Operating Expenses	<u>\$ 159,608,197</u>

**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%

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



DAVID W. MARTIN, CPA
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 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, 2010, 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*.

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 21, 2011