REPORT NO. 2012-160
MARCH 2012

# HILLSBOROUGH COMMUNITY COLLEGE

## Financial Audit

For the Fiscal Year Ended
June 30, 2011

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2010-11 fiscal year are listed below:



Note: (1) Board members served beyond the end of their term, May 31, 2010.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Debra Park, 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, 2011. 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. The results of our operational audit of the College are included in our report No. 2012-069.**

**Audit Methodology**

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

# AUDITOR GENERAL
## STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which 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, 2011, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

Respectfully submitted,

David W. Martin, CPA
March 26, 2012

## 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, 2011, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains the financial activity of the College and its component unit, the Hillsborough Community College Foundation, Inc., for the fiscal years ended June 30, 2011, and June 30, 2010.

### FINANCIAL HIGHLIGHTS

The College's assets totaled $256.4 million at June 30, 2011. This balance reflects a $8.9 million, or 3.6 percent, increase over the 2009-10 fiscal year. There was a $6 million decrease in the amount due from other governmental agencies at June 30, 2011, as a result of the reduction in funding for construction projects in the 2010-11 fiscal year. This reduction was partially offset by a $7.1 million increase in capital assets as a result of the completion of the Ybor City automotive facility, several buildings on the Brandon campus and a donated joint and mixed use facility near the Brandon campus. Accounts receivable increased by $1.4 million primarily as a result of the increase in enrollment and the increase in tuition and fee revenues due from students at June 30, 2011. Cash and cash equivalents increased by $6 million. While assets grew, liabilities decreased by $1.9 million, or 13.8 percent, and totaled $12 million at June 30, 2011, as compared to $14 million at June 30, 2010. This decrease was primarily due to $1.2 million decrease in retainage payable as a result of the decrease in construction in progress at June 30, 2011. As a result, the College's net assets increased by $10.8 million, reaching a year-end balance of $244.4 million.

The College's operating revenues totaled $56.9 million for the 2010-11 fiscal year, representing a 17.4 percent increase over the 2009-10 fiscal year due mainly to a $5.5 million increase in student tuition and fees as a result of significant enrollment growth and increased tuition and fee rates. Operating expenses totaled $175.7 million for the 2010-11 fiscal year, representing an increase of 10.1 percent over the 2009-10 fiscal year due mainly to a $10.6 million, or 32.7 percent, increase in scholarships and waivers. Net nonoperating revenues increased by $13.9 million due primarily to a $10.7 million, or 19 percent, increase in student financial aid.

### OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

A condensed statement of assets, liabilities, and net assets of the College and its component unit as of June 30, 2011, and June 30, 2010, is shown in the following table:

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

| | College | | | Component Unit | | |
|---|---|---|---|---|---|---|
| | 6-30-11 | | 6-30-10 | 06-30-11 | | 06-30-10 |
| **Assets** | | | | | | |
| Current Assets | $ 51,912 | | $ 52,065 | $ 3,152 | | $ 1,005 |
| Capital Assets, Net | 193,555 | | 186,465 | 15,048 | | 15,893 |
| Other Noncurrent Assets | 10,951 | | 9,032 | 6,605 | | 6,546 |
| **Total Assets** | 256,418 | | 247,562 | 24,805 | | 23,444 |
| **Liabilities** | | | | | | |
| Current Liabilities | 6,717 | | 8,170 | 1,305 | | 1,149 |
| Noncurrent Liabilities | 5,335 | | 5,818 | 18,329 | | 18,741 |
| **Total Liabilities** | 12,052 | | 13,988 | 19,634 | | 19,890 |
| **Net Assets** | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 191,225 | | 183,900 | (2,627) | | (3,716) |
| Restricted | 30,015 | | 33,267 | 7,008 | | 5,797 |
| Unrestricted | 23,126 | | 16,407 | 790 | | 1,473 |
| **Total Net Assets** | $ 244,366 | | $ 233,574 | $ 5,171 | | $ 3,554 |
| **Increase in Net Assets** | $ 10,792 | 4.62% | | $ 1,617 | 45.50% | |

Revenues and expenses of the College and its component unit for the 2010-11 and 2009-10 fiscal years are shown in the following table:

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

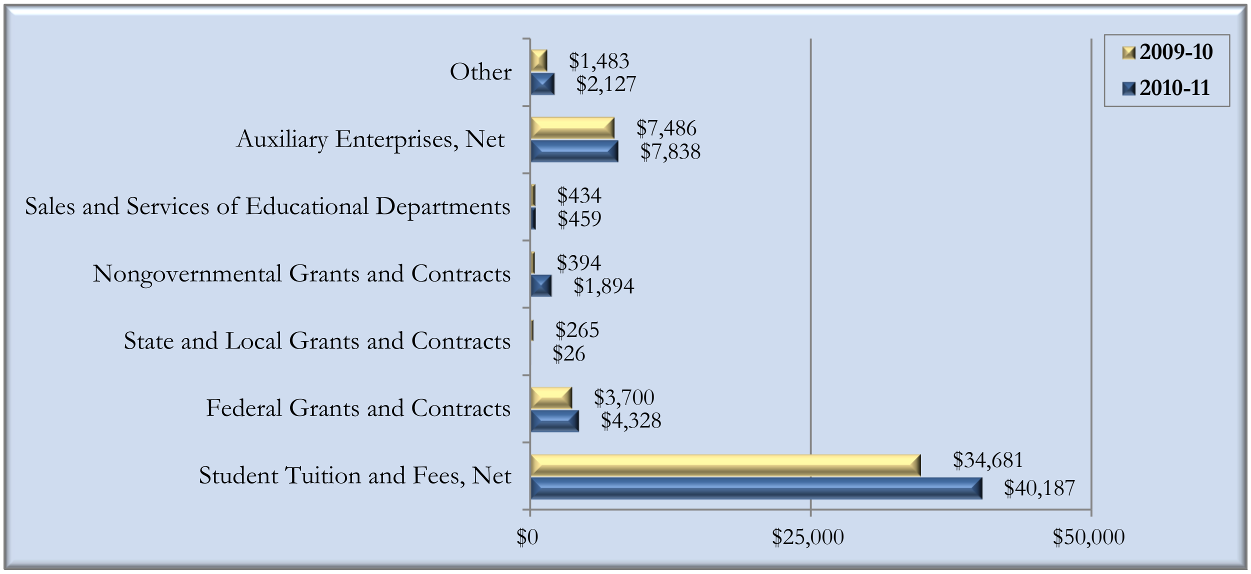
| | College | | Component Unit | |
|---|---|---|---|---|
| | 6-30-11 | 6-30-10 | 6-30-11 | 6-30-10 |
| **Operating Revenues** | | | | |
| Student Tuition and Fees, Net of Scholarship Allowances | $ 40,187 | $ 34,681 | $ | $ |
| Federal Grants and Contracts | 4,328 | 3,700 | | |
| State and Local Grants and Contracts | 26 | 265 | | |
| Nongovernmental Grants and Contracts | 1,894 | 394 | 1,124 | 892 |
| Sales and Services of Educational Departments | 459 | 434 | | |
| Auxiliary Enterprises, Net of Scholarship Allowances | 7,838 | 7,486 | | |
| Other Operating Revenues | 2,127 | 1,483 | 2,984 | 2,973 |
| **Total Operating Revenues** | 56,859 | 48,443 | 4,108 | 3,865 |
| Less, Operating Expenses | 175,696 | 159,608 | 6,048 | 5,261 |
| **Operating Loss** | (118,837) | (111,165) | (1,940) | (1,396) |
| **Nonoperating Revenues** | | | | |
| State Noncapital Appropriations | 49,065 | 45,640 | 97 | 94 |
| Other Nonoperating Revenues | 66,937 | 56,456 | 3,460 | 1,079 |
| Nonoperating Expenses | (119) | (113) | | (163) |
| **Net Nonoperating Revenues** | 115,883 | 101,983 | 3,557 | 1,010 |
| **Income (Loss) Before Other Revenues, Expenses, Gains, or Losses** | (2,954) | (9,182) | 1,617 | (386) |
| State Capital Appropriations | 2,795 | 2,887 | | |
| Capital Grants, Contracts, Gifts, and Fees | 10,951 | 3,888 | | |
| **Increase (Decrease) in Net Assets** | 10,792 | (2,407) | 1,617 | (386) |
| Net Assets, Beginning of Year | 233,574 | 235,981 | 3,554 | 3,940 |
| **Net Assets, End of Year** | $ 244,366 | $ 233,574 | $ 5,171 | $ 3,554 |

## 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 2010-11 and 2009-10 fiscal years:

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




College operating revenue changes were primarily the result of the following factors:

- Student tuition and fees increased $5.5 million due to enrollment growth and an 8 percent increase in tuition and fee rates in the 2010-11 fiscal year.
- Federal, State, local government and nongovernment grants and contracts increased $1.9 million as a result of increased grant awards.

## 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.

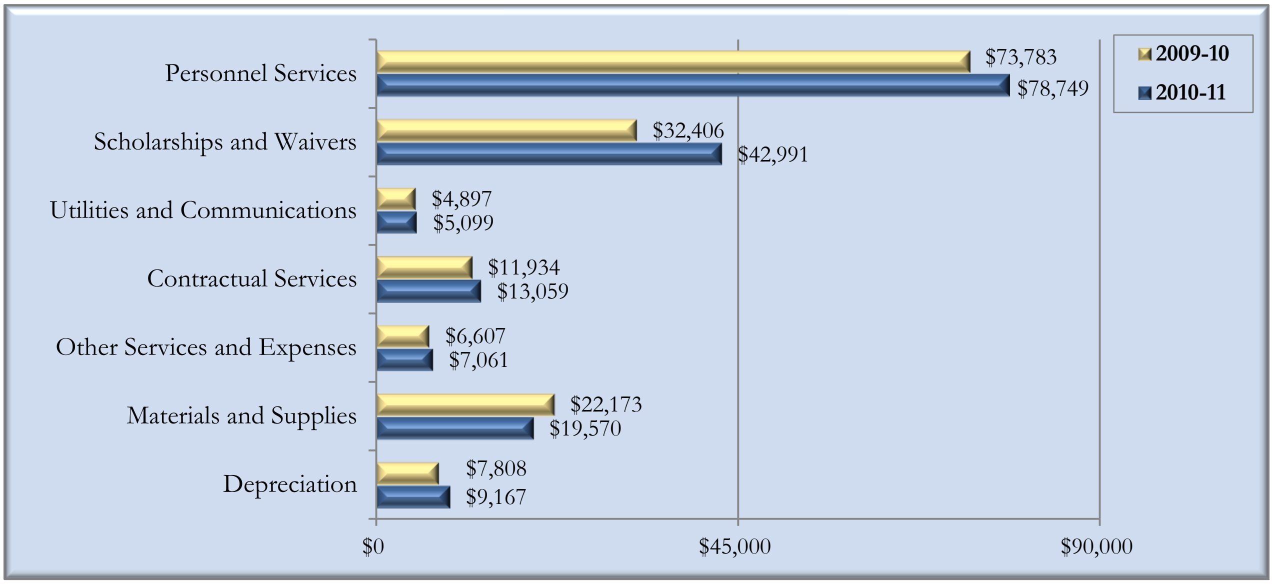
Operating expenses for the College and its component unit for the 2010-11 and 2009-10 fiscal years are presented in the following table:

**Operating Expenses**
**For Fiscal Years Ended**
**(In Thousands)**

| | College | | Component Unit | |
|---|---|---|---|---|
| | 6-30-11 | 6-30-10 | 6-30-11 | 6-30-10 |
| **Operating Expenses** | | | | |
| Personnel Services | $ 78,749 | $ 73,783 | $ | $ |
| Scholarships and Waivers | 42,991 | 32,406 | 2,357 | 1,766 |
| Utilities and Communications | 5,099 | 4,897 | | |
| Contractual Services | 13,059 | 11,934 | | |
| Other Services and Expenses | 7,061 | 6,607 | 2,837 | 2,643 |
| Materials and Supplies | 19,570 | 22,173 | | |
| Depreciation | 9,167 | 7,808 | 854 | 852 |
| **Total Operating Expenses** | $ 175,696 | $ 159,608 | $ 6,048 | $ 5,261 |

The following chart presents the College's operating expenses for the 2010-11 and 2009-10 fiscal years:

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




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

- Scholarships and waivers increased by 32.6 percent as a result of an increase in student financial aid awarded over the prior fiscal year.
- Personnel services increased primarily due to an increase in cost for instruction as a result of the enrollment growth experienced in the 2010-11 fiscal year and adjunct pay rate increases of approximately 5 percent.
- Materials and supplies decreased due to major information technology enhancement projects and direct material purchases for construction projects included in the prior fiscal year expense.

## Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2010-11 and 2009-10 fiscal years:

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

| | 2010-11 | 2009-10 |
|---|---|---|
| State Noncapital Appropriations | $ 49,065 | $ 45,640 |
| Gifts and Grants | 66,752 | 56,078 |
| Investment Income | 129 | 117 |
| Other Nonoperating Revenues | 56 | 261 |
| Interest on Capital Asset-Related Debt | (119) | (108) |
| Other Nonoperating Expenses | | (5) |
| **Net Nonoperating Revenues** | $ 115,883 | $ 101,983 |

Net nonoperating revenues increased by $13.9 million, primarily due to the following:

- Gifts and grants increased by $10.7 million, which was the result of an increase in student financial aid funds.
- State noncapital appropriations increased by $3.4 million from the 2009-10 fiscal year, due primarily to increased College Program Funds appropriated by the Legislature.

### Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2010-11 and 2009-10 fiscal years:

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

| | 2010-11 | 2009-10 |
|---|---|---|
| State Capital Appropriations | $ 2,795 | $ 2,887 |
| Capital Grants, Contracts, Gifts, and Fees | 10,951 | 3,888 |
| **Total** | $ 13,746 | $ 6,775 |

Capital grants, contracts, gifts, and fees increased by $7.1 million due primarily to a Federal capital grant awarded to construct the Ybor automotive facility and revenue from donated joint and mixed use facility near the Brandon campus.

## 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 2010-11 and 2009-10 fiscal years is presented in the following table:

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

| | 2010-11 | 2009-10 |
|---|---|---|
| Cash Provided (Used) by: | | |
| Operating Activities | $ (111,400) | $ (104,893) |
| Noncapital Financing Activities | 115,817 | 101,885 |
| Capital and Related Financing Activities | 1,427 | 4,278 |
| Investing Activities | 196 | 264 |
| **Net Increase in Cash and Cash Equivalents** | 6,040 | 1,534 |
| Cash and Cash Equivalents, Beginning of Year | 32,871 | 31,337 |
| **Cash and Cash Equivalents, End of Year** | $ 38,911 | $ 32,871 |

Major sources of funds came from State noncapital appropriations ($49.1 million), State capital appropriations ($8.2 million), net student tuition and fees ($39.1 million), grants and contracts ($6.8 million), gifts and grants ($66.8 million), and auxiliary enterprise, net receipts ($7.4 million). Major uses of funds were for payments to employees ($62.4 million), scholarship ($43 million) and to providers of goods and services ($40 million).

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

- The $6.5 million increase in cash outflows from operating activities is primarily due to a $10.6 million increase in payments for scholarships offset by a $5.8 million increase in cash received from net tuition and fees.
- The $13.9 million increase in cash inflows from noncapital financing activities is primarily due to an increase in Federal Pell grant funds received and an increase in State noncapital appropriations.
- The $2.9 million decrease in cash inflows from capital and related financing activities is primarily due to a decrease in cash received from Public Education Capital Outlay (PECO) funds, offset by a decrease in cash used for the purchase of capital assets.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At June 30, 2011, the College had $288.1 million in capital assets, less accumulated depreciation of $94.6 million, for net capital assets of $193.5 million. Depreciation charges for the current fiscal year totaled $9.2 million. The following table summarizes the College's capital assets at June 30:

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

| Capital Assets | 2011 | 2010 |
|---|---|---|
| Land | $ 28,346 | $ 27,571 |
| Buildings | 230,429 | 213,545 |
| Other Structures and Improvements | 7,208 | 6,495 |
| Furniture, Machinery, and Equipment | 13,574 | 11,649 |
| Leasehold Improvements | 6,376 | 6,376 |
| Construction in Progress | 2,212 | 7,491 |
| **Total** | 288,145 | 273,127 |
| Less, Accumulated Depreciation: | | |
| Buildings | 77,745 | 71,060 |
| Other Structures and Improvements | 5,612 | 5,276 |
| Furniture, Machinery, and Equipment | 9,721 | 8,965 |
| Leasehold Improvements | 1,512 | 1,361 |
| **Total Accumulated Depreciation** | 94,590 | 86,662 |
| **Capital Assets, Net** | $ 193,555 | $ 186,465 |

The College has $12.3 million in major construction commitments at June 30, 2011. The commitments are for projects that include the upgrade of the telecommunication system, renovation of the Collaboration Studio building, Ybor Learning Resource Center and Faculty remodeling and renovation, Brandon new entry way remodeling and renovation and the SouthShore patio and Cyber Café renovation. State capital 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 $2.3 million in State Board of Education (SBE) capital outlay bonds outstanding versus $2.6 million at the end of the prior fiscal year, a decrease of 11.5 percent.

The SBE issues capital outlay bonds on behalf of the College. During the 2010-11 fiscal year, there were no bond sales and debt repayments totaled $0.2 million.

At June 30, 2011, the Hillsborough Community College Foundation, Inc., had $17.7 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, a decrease in State funding is anticipated in the 2011-12 fiscal year. In response to the anticipated decrease in State noncapital appropriations, the Board of Trustees increased the tuition rate 7 percent to take effect beginning with the Fall 2011 term. The College's Board of Trustees is sensitive to the issue of rising educational costs to students and, for many, rising debt burdens. However, State support is projected to make up 44 percent of all operating revenues to the College next year, down from 60 percent just three years ago. Tuition revenue is needed to attempt to maintain service levels and fund ongoing repairs and replacements in response to restricted PECO funds for these purposes. There is also a need to replace and upgrade technology and software to meet student and instructional demands.

Other factors affecting College finances include enrollment uncertainty. After several years of increasing enrollments, the College is at capacity and enrollment trends may be changing. The Fall 2011 registration period appears to point to flat enrollment as compare to the prior year.

## REQUESTS FOR INFORMATION

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

# BASIC FINANCIAL STATEMENTS

## HILLSBOROUGH COMMUNITY COLLEGE
## A COMPONENT UNIT OF THE STATE OF FLORIDA
## STATEMENT OF NET ASSETS
## June 30, 2011

| | College | Component Unit |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and Cash Equivalents | $ 23,685,398.77 | $ 1,260,238.00 |
| Restricted Cash and Cash Equivalents | 4,464,255.00 | 1,464,624.00 |
| Accounts Receivable, Net | 6,448,145.61 | 333,349.00 |
| Due from Other Governmental Agencies | 15,155,013.93 | |
| Due from Component Unit/College | 208,424.00 | 78,733.00 |
| Inventories | 1,837,799.95 | |
| Prepaid Expenses | 112,599.29 | 15,145.00 |
| **Total Current Assets** | 51,911,636.55 | 3,152,089.00 |
| Noncurrent Assets: | | |
| Restricted Cash and Cash Equivalents | 10,761,173.48 | |
| Investments | | 6,094,748.00 |
| Restricted Investments | 189,496.92 | |
| Depreciable Capital Assets, Net | 162,996,782.89 | 15,048,103.00 |
| Nondepreciable Capital Assets | 30,558,395.34 | |
| Other Assets | | 510,205.00 |
| **Total Noncurrent Assets** | 204,505,848.63 | 21,653,056.00 |
| **TOTAL ASSETS** | $ 256,417,485.18 | $ 24,805,145.00 |
| **LIABILITIES** | | |
| Current Liabilities: | | |
| Accounts Payable | $ 2,051,313.93 | $ 39,882.00 |
| Salary and Payroll Taxes Payable | 3,122,969.26 | |
| Retainage Payable | 109,349.30 | |
| Due to Other Governmental Agencies | 9,163.34 | |
| Due to Component Unit/College | 78,733.00 | 208,424.00 |
| Deferred Revenue | 153,664.43 | 17,590.00 |
| Interest Payable | | 66,016.00 |
| Deposits Held for Others | 346,533.02 | |
| Long-Term Liabilities - Current Portion: | | |
| Bonds Payable | 245,000.00 | 400,000.00 |
| Notes Payable | | 573,693.00 |
| Compensated Absences Payable | 600,000.00 | |
| **Total Current Liabilities** | 6,716,726.28 | 1,305,605.00 |
| Noncurrent Liabilities: | | |
| Bonds Payable | 2,085,000.00 | 17,275,000.00 |
| Notes Payable | | 1,053,745.00 |
| Compensated Absences Payable | 2,561,325.98 | |
| Other Postemployment Benefits Payable | 688,449.00 | |
| **Total Noncurrent Liabilities** | 5,334,774.98 | 18,328,745.00 |
| **TOTAL LIABILITIES** | 12,051,501.26 | 19,634,350.00 |

**HILLSBOROUGH COMMUNITY COLLEGE**
**A COMPONENT UNIT OF THE STATE OF FLORIDA**
**STATEMENT OF NET ASSETS (Continued)**
**June 30, 2011**

| | College | Component Unit |
|---|---|---|
| **NET ASSETS** | | |
| Invested in Capital Assets, Net of Related Debt | $ 191,225,178.23 | $ (2,626,897.00) |
| Restricted: | | |
| Nonexpendable: | | |
| Endowment | | 1,827,392.00 |
| Expendable: | | |
| Grants and Loans | 4,194,289.29 | 2,387,918.00 |
| Scholarships | 1,255,382.79 | 2,792,709.00 |
| Capital Projects | 24,562,407.21 | |
| Debt Service | 3,023.37 | |
| Unrestricted | 23,125,703.03 | 789,673.00 |
| **Total Net Assets** | 244,365,983.92 | 5,170,795.00 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 256,417,485.18 | $ 24,805,145.00 |

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, 2011**

| | College | Component Unit |
|---|---|---|
| **REVENUES** | | |
| Operating Revenues: | | |
| Student Tuition and Fees, Net of Scholarship Allowances of $22,277,949.87 | $ 40,187,235.29 | $ |
| Federal Grants and Contracts | 4,328,063.62 | |
| State and Local Grants and Contracts | 26,116.07 | |
| Nongovernmental Grants and Contracts | 1,894,381.85 | 1,123,558.00 |
| Sales and Services of Educational Departments | 459,083.77 | |
| Auxiliary Enterprises, Net of Scholarship Allowances of $1,301,145.31 | 7,837,479.64 | |
| Other Operating Revenues | 2,126,955.77 | 2,984,562.00 |
| **Total Operating Revenues** | 56,859,316.01 | 4,108,120.00 |
| **EXPENSES** | | |
| Operating Expenses: | | |
| Personnel Services | 78,749,537.02 | |
| Scholarships and Waivers | 42,990,947.01 | 2,356,889.00 |
| Utilities and Communications | 5,098,894.46 | |
| Contractual Services | 13,058,962.48 | |
| Other Services and Expenses | 7,060,647.19 | 2,836,615.00 |
| Materials and Supplies | 19,569,647.95 | |
| Depreciation | 9,167,212.97 | 854,289.00 |
| **Total Operating Expenses** | 175,695,849.08 | 6,047,793.00 |
| **Operating Loss** | (118,836,533.07) | (1,939,673.00) |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| State Noncapital Appropriations | 49,064,771.00 | 97,000.00 |
| Gifts and Grants | 66,752,173.12 | 2,066,189.00 |
| Investment Income | 129,368.44 | 139,139.00 |
| Realized Gain on Investment | | 53,426.00 |
| Unrealized Gain on Investment | 47,840.44 | 781,741.00 |
| Other Nonoperating Revenues | 7,500.00 | 419,305.00 |
| Interest on Capital Asset-Related Debt | (118,550.00) | |
| **Net Nonoperating Revenues** | 115,883,103.00 | 3,556,800.00 |
| **Income (Loss) Before Other Revenues, Expenses, Gains, or Losses** | (2,953,430.07) | 1,617,127.00 |
| State Capital Appropriations | 2,794,659.02 | |
| Capital Grants, Contracts, Gifts, and Fees | 10,951,172.50 | |
| **Total Other Revenues** | 13,745,831.52 | |
| **Increase in Net Assets** | 10,792,401.45 | 1,617,127.00 |
| Net Assets, Beginning of Year | 233,573,582.47 | 3,553,668.00 |
| **Net Assets, End of Year** | $ 244,365,983.92 | $ 5,170,795.00 |

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, 2011**

| | College |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Tuition and Fees, Net | $ 39,119,912.65 |
| Grants and Contracts | 6,815,582.84 |
| Payments to Suppliers | (40,006,070.50) |
| Payments for Utilities and Communications | (5,098,894.46) |
| Payments to Employees | (62,379,807.66) |
| Payments for Employee Benefits | (16,980,357.67) |
| Payments for Scholarships | (42,990,947.01) |
| Auxiliary Enterprises, Net | 7,367,870.34 |
| Sales and Service of Educational Departments | 458,383.77 |
| Other Receipts | 2,294,475.06 |
| **Net Cash Used by Operating Activities** | (111,399,852.64) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| State Noncapital Appropriations | 49,064,771.00 |
| Gifts and Grants Received for Other Than Capital or Endowment Purposes | 66,752,173.12 |
| Direct Loan Program Receipts | 31,543,411.00 |
| Direct Loan Program Disbursements | (31,543,411.00) |
| **Net Cash Provided by Noncapital Financing Activities** | 115,816,944.12 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| State Capital Appropriations | 8,203,518.82 |
| Capital Grants and Gifts | 5,518,492.05 |
| Proceeds from Sale of Capital Assets | 7,121.68 |
| Purchases of Capital Assets | (11,948,485.74) |
| Principal Paid on Capital Debt | (235,000.00) |
| Interest Paid on Capital Debt | (118,550.00) |
| **Net Cash Provided by Capital and Related Financing Activities** | 1,427,096.81 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Sale of Investments | 66,209.52 |
| Investment Income | 129,368.44 |
| **Net Cash Provided by Investing Activities** | 195,577.96 |
| **Net Increase in Cash and Cash Equivalents** | 6,039,766.25 |
| Cash and Cash Equivalents, Beginning of Year | 32,871,061.00 |
| **Cash and Cash Equivalents, End of Year** | $ 38,910,827.25 |

**HILLSBOROUGH COMMUNITY COLLEGE**
**A COMPONENT UNIT OF THE STATE OF FLORIDA**
**STATEMENT OF CASH FLOWS (Continued)**
**For the Fiscal Year Ended June 30, 2011**

| | | College |
|---|---|---|
| **RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES** | | |
| Operating Loss | $ | (118,836,533.07) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | | |
| Depreciation Expense | | 9,167,212.97 |
| Changes in Assets and Liabilities: | | |
| Receivables, Net | | (855,384.70) |
| Inventories | | (268,425.95) |
| Prepaid Expenses | | (28,879.29) |
| Accounts Payable | | (107,599.87) |
| Deferred Revenue | | (213,405.57) |
| Deposits Held for Others | | (118,272.98) |
| Compensated Absences Payable | | (280,804.18) |
| Other Postemployment Benefits Payable | | 142,240.00 |
| **NET CASH USED BY OPERATING ACTIVITIES** | $ | (111,399,852.64) |

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES**

| | | |
|---|---|---|
| Unrealized gains on investments were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows. | $ | 47,840.44 |
| The fair value of donated property was recognized as income on the statement of revenues, expenses, and changes in net assets, but is not a cash transaction for the statement of cash flows. | $ | 5,432,679.78 |

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, 2011

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**Discretely Presented Component Unit**. Based on the application of the criteria for determining component units, the Hillsborough Community College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit. 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, 2011.

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 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

**HILLSBOROUGH COMMUNITY COLLEGE**
**A COMPONENT UNIT OF THE STATE OF FLORIDA**
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**JUNE 30, 2011**

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 noncapital appropriations, Federal and State student financial aid, American Recovery and Reinvestment Act Funding, 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, 2011**

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

At June 30, 2011, the College reported as cash equivalents $26,624,091.74 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, 2011, 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 31 days as of June 30, 2011. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

**Capital Assets**. College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and leasehold improvements. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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. 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, 2011, are reported at fair value, as follows:

**HILLSBOROUGH COMMUNITY COLLEGE**
**A COMPONENT UNIT OF THE STATE OF FLORIDA**
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**JUNE 30, 2011**

| Investment Type | Amount |
|---|---|
| State Board of Administration Fund B Surplus Funds Trust Fund | $ 186,473.55 |
| State Board of Administration Debt Service Accounts | 3,023.37 |
| **Total College Investments** | $ 189,496.92 |

**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, 2011, the College reported investments at fair value of $186,473.55 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 0.78965331 at June 30, 2011. The weighted-average life (WAL) of Fund B at June 30, 2011, was 7.16 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, 2011. 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 $3,023.37 at June 30, 2011, 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 June 30, 2011 are reported at fair value as follows:

| Investment Type | Amount |
|---|---|
| Open End Mutual Funds | $ 6,094,748 |
| **Total Component Unit Investments** | $ 6,094,748 |

**HILLSBOROUGH COMMUNITY COLLEGE**
**A COMPONENT UNIT OF THE STATE OF FLORIDA**
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**JUNE 30, 2011**

## 3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a $1,745,867.69 allowance for doubtful accounts.

## 4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of $13,986,598.54 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

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

The $78,733 reported as due to component unit by the College consists of amounts owed by the College to the Hillsborough Community College Foundation, Inc. (Foundation), 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 expires on December 15, 2012. There was no outstanding balance on the Letter of Credit at June 30, 2011, and 2010. The amount due to the Foundation at June 30, 2011, 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 $208,424 reported as due from component unit by the College consists of amounts owed by the Foundation to the College as of June 30, 2011, for private grants awarded by the Foundation, but not paid to the College.

## 6. 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.

## 7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, is shown below:

**HILLSBOROUGH COMMUNITY COLLEGE**
**A COMPONENT UNIT OF THE STATE OF FLORIDA**
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**JUNE 30, 2011**

| Description | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| Nondepreciable Capital Assets: | | | | |
| Land | $ 27,570,839.10 | $ 775,117.00 | $ | $ 28,345,956.10 |
| Construction in Progress | 7,490,730.44 | 6,911,076.26 | 12,189,367.46 | 2,212,439.24 |
| **Total Nondepreciable Capital Assets** | $ 35,061,569.54 | $ 7,686,193.26 | $ 12,189,367.46 | $ 30,558,395.34 |
| Depreciable Capital Assets: | | | | |
| Buildings | $ 213,544,957.00 | $ 16,883,962.91 | $ | $ 230,428,919.91 |
| Other Structures and Improvements | 6,494,903.00 | 712,967.33 | | 7,207,870.33 |
| Furniture, Machinery, and Equipment | 11,649,083.90 | 3,163,313.72 | 1,238,509.76 | 13,573,887.86 |
| Leasehold Improvements | 6,376,319.00 | | | 6,376,319.00 |
| **Total Depreciable Capital Assets** | 238,065,262.90 | 20,760,243.96 | 1,238,509.76 | 257,586,997.10 |
| Less, Accumulated Depreciation: | | | | |
| Buildings | 71,060,010.00 | 6,684,837.12 | | 77,744,847.12 |
| Other Structures and Improvements | 5,276,016.00 | 336,437.78 | | 5,612,453.78 |
| Furniture, Machinery, and Equipment | 8,965,143.00 | 1,994,416.80 | 1,238,509.76 | 9,721,050.04 |
| Leasehold Improvements | 1,360,342.00 | 151,521.27 | | 1,511,863.27 |
| **Total Accumulated Depreciation** | 86,661,511.00 | 9,167,212.97 | 1,238,509.76 | 94,590,214.21 |
| **Total Depreciable Capital Assets, Net** | $ 151,403,751.90 | $ 11,593,030.99 | $ | $ 162,996,782.89 |

**Donated Property**

The College received property in January 2011 from a Florida not-for-profit corporation that was formed to develop and build a community multi-purpose facility in Brandon, Florida, to serve as a Hillsborough County emergency shelter facility for special needs and provide the College classrooms and office space. Approximately two-thirds of the facility is leased to the not-for-profit corporation for private functions and community use. In the event of a hurricane or other emergency as determined by Hillsborough County, the Center will be used as an emergency shelter operated by Hillsborough County.

The property is recorded as a capital asset in the amount of $6,182,679.78, which approximates fair market value at the time of the transfer of the property to the College. The College recognized net revenue of $5,432,679.78 from donated gifts in the 2010-11 fiscal year. This amount represents the fair market value of the building, less the College's contribution of $750,000 to the construction project.

## 8. DEFERRED REVENUE

Deferred revenue consist of $153,664.43 in student tuition and fees received prior to fiscal year-end related to subsequent accounting periods.

## 9. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2011, include bonds payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2011, is shown below:

**HILLSBOROUGH COMMUNITY COLLEGE**
**A COMPONENT UNIT OF THE STATE OF FLORIDA**
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**JUNE 30, 2011**

| Description | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| Bonds Payable | $ 2,565,000.00 | $ | $ 235,000.00 | $ 2,330,000.00 | $ 245,000.00 |
| Compensated Absences Payable | 3,442,130.00 | 237,605.38 | 518,409.56 | 3,161,325.82 | 600,000.00 |
| Other Postemployment Benefits Payable | 546,209.00 | 242,899.00 | 100,659.00 | 688,449.00 | |
| **Total Long-Term Liabilities** | $ 6,553,339.00 | $ 480,504.38 | $ 854,068.56 | $ 6,179,774.82 | $ 845,000.00 |

**Bonds Payable**. The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2011:

| Bond Type | Amount Outstanding | Interest Rates (Percent) | Annual Maturity To |
|---|---|---|---|
| State Board of Education Capital Outlay Bonds: | | | |
| Series 2009A | $ 2,330,000 | 3-5 | 2019 |

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

| Fiscal Year Ending June 30 | State Board of Education Capital Outlay Bonds Principal | Interest | Total |
|---|---|---|---|
| 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 | 295,000 | 64,500 | 359,500 |
| 2017-2019 | 995,000 | 101,250 | 1,096,250 |
| **Total** | $ 2,330,000 | $ 548,950 | $ 2,878,950 |

**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 0.09 percent at June 30, 2011. 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:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

| Years Ending June 30 | Principal |
|---|---|
| 2012 | $ 400,000 |
| 2013 | 470,000 |
| 2014 | 495,000 |
| 2015 | 520,000 |
| 2016 | 550,000 |
| 2017-2033 | 15,240,000 |
| Total | $ 17,675,000 |

In conjunction with the issuance of the bonds, the Foundation also entered into an $18.6 million letter of credit agreement that serves as security for the bonds. The letter of credit expires on December 15, 2012. There was no outstanding balance on the letter of credit at June 30, 2011. 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, 2011, 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 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 | (43,538) |
| **Total** | $ 267,750 |

**Compensated Absences Payable**. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2011, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $3,161,325.98. The current portion of the compensated absences liability is the

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**JUNE 30, 2011**

amount expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program.

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

*Plan Description*. The Postemployment Benefits Plan (Plan) is a single-employer defined-benefit plan administered by the College. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's health and hospitalization plan for medical, prescription drug, dental, vision, and life insurance coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The College does not issue a stand-alone report and the Plan is not included in the annual report of a public employee retirement system or another entity.

*Funding Policy*. Plan benefits are pursuant to provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend Plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 32 retirees received postemployment health care benefits and 89 retirees received life insurance benefits. The College provided required contributions of $100,659 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 $253,257.

*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:

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JUNE 30, 2011

| Description | Amount |
|---|---|
| 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 | 16,386 |
| Adjustment to Annual Required Contribution | (18,207) |
| **Annual OPEB Cost (Expense)** | 242,899 |
| Contribution Toward the OPEB Cost | (100,659) |
| **Increase in Net OPEB Obligation** | 142,240 |
| Net OPEB Obligation, Beginning of Year | 546,209 |
| **Net OPEB Obligation, End of Year** | $ 688,449 |

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, 2011, and for the two preceding years were as follows:

| Fiscal Year | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 2008-09 | $ 267,215 | 30.8% | $ 379,892 |
| 2009-10 | 243,074 | 31.6% | 546,209 |
| 2010-11 | 242,899 | 41.4% | 688,449 |

*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 $57,842,129 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.1 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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, 2011, and the College's 2010-11 fiscal year ARC. This method was selected because it is the same method used in the private sector for determination of retiree medical benefits. 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 under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 7.8 percent for the 2010-11 fiscal year, reduced by 0.1 to 0.3 percent per year thereafter, to an ultimate rate of 4.5 percent after 16 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, 2011, was 26 years.

## 10. 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, 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 2010-11 fiscal year were as follows:

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**JUNE 30, 2011**

| Class | Percent of Gross Salary | |
|---|---|---|
| | Employee | Employer (A) |
| Florida Retirement System, Regular | 0.00 | 10.77 |
| Florida Retirement System, Senior Management Service | 0.00 | 14.57 |
| Deferred Retirement Option Program - Applicable to Members from All of the Above Classes | 0.00 | 12.25 |
| Florida Retirement System, Reemployed Retiree | (B) | (B) |

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the 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 for the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled $3,407,448, $3,470,635, and $3,984,826 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 199 College participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled $763,640.

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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**JUNE 30, 2011**

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 113 College participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled $740,089.

## 11. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2011, are as follows:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

| Project Description | Total Commitment | Completed to Date | Balance Committed |
|---|---|---|---|
| Upgrade Telecommunication System/Districtwide Video Camera Installation: | | | |
| Contractor | $ 337,709.00 | $ | $ 337,709.00 |
| Supplier of the Cameras | 1,241,406.00 | | 1,241,406.00 |
| Collaboration Studio: | | | |
| Architect | 236,250.00 | 156,423.11 | 79,826.89 |
| Contractor | 2,785,108.00 | 78,729.40 | 2,706,378.60 |
| Dale Mabry Courtyard Enhancement Phase 11: | | | |
| Architect | 72,945.00 | 45,085.83 | 27,859.17 |
| Contractor | 511,214.77 | 133,827.95 | 377,386.82 |
| Ybor Learning Resource Center and Facility/Ybor Renovations and Remodeling: | | | |
| Architect | 406,152.00 | 287,713.48 | 118,438.52 |
| Contractor | 4,356,892.03 | | 4,356,892.03 |
| Ybor City Remodeling Automotive Administration Offices: | | | |
| Architect | 46,600.00 | 46,047.12 | 552.88 |
| Contractor | 712,232.40 | 662,409.37 | 49,823.03 |
| Plant City Microbiology Lab/Water Treatment: | | | |
| Architect | 47,500.00 | 38,660.02 | 8,839.98 |
| Contractor | 522,400.42 | 299,814.41 | 222,586.01 |
| Brandon New Entryway: | | | |
| Architect | 438,419.70 | 277,702.41 | 160,717.29 |
| Contractor | 2,100,000.00 | | 2,100,000.00 |
| SouthShore Renovation Patio and Cyber Café: | | | |
| Architect | 29,830.00 | 25,606.31 | 4,223.69 |
| Contractor | 608,122.00 | 138,937.07 | 469,184.93 |
| **Total** | $ 14,452,781.32 | $ 2,190,956.48 | $ 12,261,824.84 |

## 12. OPERATING LEASE COMMITMENTS

The College leased vehicles and electrical transformers under operating leases, which expire in 2030. 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 agreement are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**JUNE 30, 2011**

| Fiscal Year Ending June 30 | Amount |
|---|---|
| 2012 | $ 87,082.68 |
| 2013 | 87,082.68 |
| 2014 | 87,082.68 |
| 2015 | 77,822.28 |
| 2016 | 48,722.85 |
| 2017-2021 | 108,194.40 |
| 2022-2026 | 66,249.60 |
| 2027-2031 | 54,103.84 |
| **Total Minimum Payments Required** | $ 616,341.01 |

## 13. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to $150 million. 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.

## 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 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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:

| Source | Amount |
|---|---|
| College Program Fund | $ 42,464,646.00 |
| Education Enhancement Trust Fund (Lottery) | 6,207,508.00 |
| Bright Futures Scholarship Program | 3,617,823.08 |
| Florida Student Assistance Grants | 2,336,240.00 |
| Gross Receipts Tax (Public Education Capital Outlay) | 2,014,259.00 |
| Motor Vehicle License Tax (Capital Outlay and Debt Service) | 780,400.02 |
| Performance Based Incentives | 392,617.00 |
| Restricted Contracts and Grants | 350,714.06 |
| Other State Sources | 206,061.10 |
| **Total** | $ 58,370,268.26 |

## 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:

| Functional Classification | Amount |
|---|---|
| Instruction | $ 48,638,628.73 |
| Public Services | 3,164,292.97 |
| Academic Support | 8,587,082.09 |
| Student Services | 16,540,574.72 |
| Institutional Support | 30,979,978.09 |
| Operation and Maintenance of Plant | 8,492,852.38 |
| Scholarships and Waivers | 41,327,041.69 |
| Depreciation | 9,167,212.97 |
| Auxiliary Enterprises | 8,798,185.44 |
| **Total Operating Expenses** | $ 175,695,849.08 |

# 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.

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

## 1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFIT PLAN

The July 1, 2009, unfunded actuarial liability of $2,399,186 is lower by approximately $38,000 than the July 1, 2007, liability of $2,437,608 as a result of updated assumptions — reduced percentage married, lower participation and updated mortality reduced the AAL by $135,000. Updated claims costs and required retiree contributions also reduced the AAL by $225,000. The reduction, due to assumptions and claims costs, was partially offset by an increase due to the expected growth of liabilities and demographic changes of $311,000 and an updated trend assumption that increased the AAL by $11,000.

# AUDITOR GENERAL
## STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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, 2011, 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*.

We noted certain matters that we reported to College management in our operational audit report No. 2012-069.

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 26, 2012