



**AUDITOR GENERAL**  
DAVID W. MARTIN, CPA



**HILLSBOROUGH COMMUNITY COLLEGE**

Financial Audit

For the Fiscal Year Ended June 30, 2007

During the audit period, the President of the College was Dr. Gwendolyn W. Stephenson. Members of the College's Board of Trustees who served during the audit period are listed below:

**Board Member**

Mr. Daniel M. Coton, Chair from 7-19-06,  
Vice-Chair to 7-18-06  
Ms. Nancy H. Watkins, Vice-Chair from 7-19-06  
Mr. Thomas Huggins, III, Chair to 7-18-06  
Dr. W. Edward Gonzalez, Jr., to 4-18-07 (1)  
Mr. Andrew Graham from 5-16-07 (2)  
Mrs. Chappella I. Hill to 4-18-07 (1)  
Mr. Rodrigo Jurado from 5-16-07 (2)

Notes: (1) The normal terms for these Board members ended on May 31, 2006. They served until new Board members were appointed. Their final meeting was on April 18, 2007.  
(2) These Board members were appointed by the Governor on April 11, 2007, and sworn in at the May 16, 2007, Board meeting.

## HILLSBOROUGH COMMUNITY COLLEGE

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**EXECUTIVE SUMMARY**

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The audit of the financial statements of Hillsborough Community College for the fiscal year ended June 30, 2007, was conducted pursuant to the provisions of Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The scope of this audit included an examination of the financial statements of the College, a component unit of the State of Florida, and a determination as to whether management complied with applicable laws, rules, regulations, contracts, and grant agreements and other matters that are material to the financial statements. An examination of Federal awards administered by the College is included in 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. 2008-038.

The following provides a summary of the findings of our audit of the College's financial statements:

- We found that the College's financial statements presented fairly, in all material respects, the financial positions of the College and its discretely presented component unit as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended.
- No significant deficiencies are noted in our report on the College's internal control over financial reporting.
- The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This audit was coordinated by Ruth G. Pennewell, CPA, and supervised by Janice Priolo, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at [tedsauerbeck@aud.state.fl.us](mailto:tedsauerbeck@aud.state.fl.us) or by telephone at (850) 487-4468.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.myflorida.com/audgen>); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Hillsborough Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2007, as shown on pages 15 through 35. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for this entity, is based solely upon 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, 2007, and the respective changes in financial position and cash flows, where applicable, 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 our report on our consideration of Hillsborough Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 5 through 14 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA  
March 13, 2008



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

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## 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, 2007, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the

College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to College management in our operational audit report No. 2008-038, dated November 2007.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



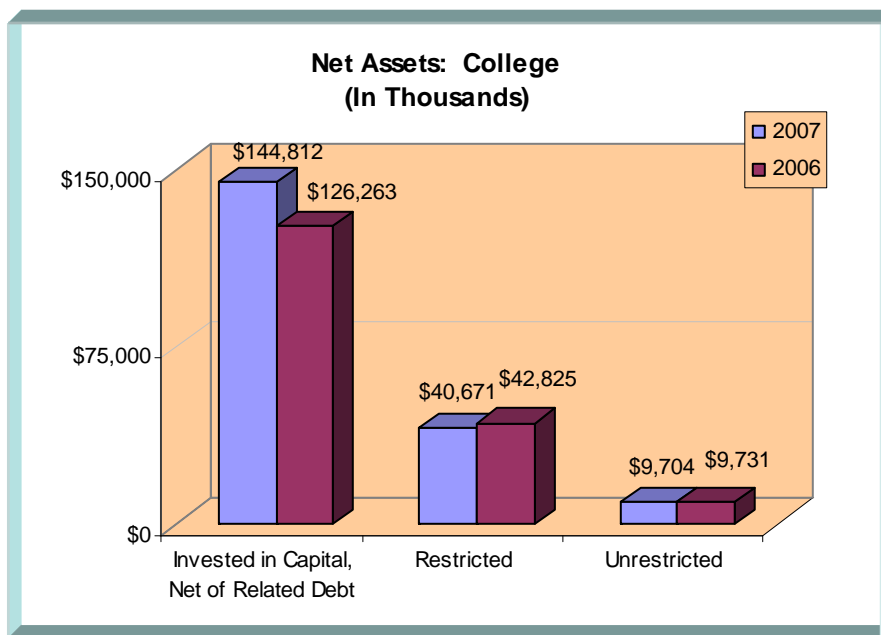
David W. Martin, CPA  
March 13, 2008

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

The management’s discussion and analysis (MD&A) provides an overview of the College’s financial position and activities for the fiscal year ended June 30, 2007. 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. Management has prepared the financial statements and the related footnote disclosures along with the management’s discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College. The management’s discussion and analysis contains financial activities of the College and its component unit, Hillsborough Community College Foundation, Inc. (Foundation), for the 2006-07 and 2005-06 fiscal years, and should be read in conjunction with the accompanying financial statements and notes thereto.

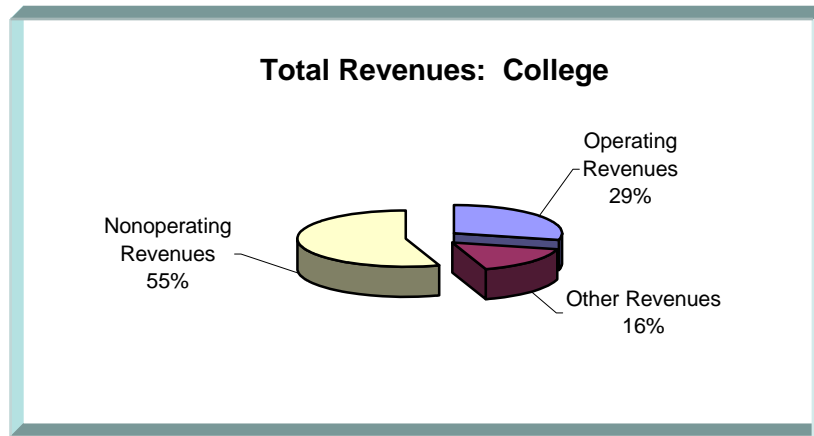
**FINANCIAL HIGHLIGHTS**

The College’s net assets by category for the fiscal years ended June 30, 2007, and June 30, 2006, are shown in the following graph:



The College’s financial position, as a whole, is satisfactory as of the fiscal year ended June 30, 2007. The combined net assets of the College and the Foundation amounted to \$201.7 million.

The following chart provides a graphical representation of revenues by category for the 2006-07 fiscal year:



For the fiscal year ended June 30, 2007, College revenues and other support exceeded expenses, creating an increase in net assets of \$16.3 million. The Foundation's net assets increased by \$1.9 million.

### **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) - The Foundation solicits, receives, and manages private and corporate gifts and other income-producing ventures for the use and benefit of the College and its students. Although legally separate, this component unit is important because the College is financially accountable for it, and 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 off or worse off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Hillsborough Community College's operating results.

These two statements report Hillsborough Community College's net assets and changes in them. You can think of the College's net assets, the difference between assets and liabilities, as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indication of whether its financial health is improving or deteriorating. You will need to consider many other

nonfinancial factors, such as certain trends, student retention, condition of the buildings, and the safety of the campus, to assess the College's overall financial health.

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

A condensed statement of assets, liabilities, and net assets of the College and its component unit for the fiscal years ended June 30, 2007, and June 30, 2006, is shown in the following table:

<b>Assets, Liabilities, and Net Assets at June 30</b>				
<b>(In Thousands)</b>				
	College		Component Unit	
	2007	2006	2007	2006
<b>Assets</b>				
Current Assets	\$ 53,456	\$ 48,344	\$ 15,598	\$ 1,562
Capital Assets, Net	148,965	133,673		
Other Noncurrent Assets	8,118	12,521	11,014	3,067
<b>Total Assets</b>	<b>210,539</b>	<b>194,538</b>	<b>26,612</b>	<b>4,629</b>
<b>Liabilities</b>				
Current Liabilities	8,366	5,740	1,538	76
Noncurrent Liabilities	6,986	9,971	18,600	
<b>Total Liabilities</b>	<b>15,352</b>	<b>15,711</b>	<b>20,138</b>	<b>76</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	144,812	126,263		
Restricted	40,671	42,833	6,014	4,386
Unrestricted	9,704	9,731	460	167
<b>Total Net Assets</b>	<b>\$ 195,187</b>	<b>\$ 178,827</b>	<b>\$ 6,474</b>	<b>\$ 4,553</b>
<b>Increase in Net Assets</b>	<b>\$ 16,360</b>	9.1%	<b>\$ 1,921</b>	42.2%

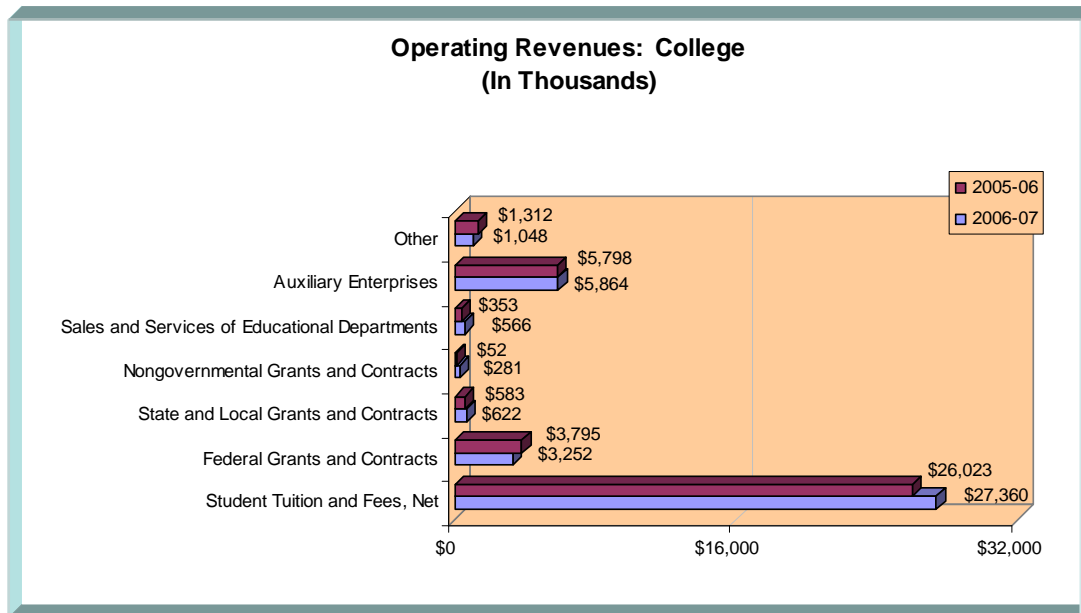
Revenues and expenses of the College and its component unit for the 2006-07 and 2005-06 fiscal years are shown in the following table:

<b>Operating Results for the Fiscal Years (In Thousands)</b>				
	College		Component Unit	
	2006-07	2005-06	2006-07	2005-06
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 27,360	\$ 26,023	\$	\$
Federal Grants and Contracts	3,252	3,795		
State and Local Grants and Contracts	622	583		
Nongovernmental Grants and Contracts	281	52	1,365	1,492
Sales and Services of Educational Departments	566	353		
Auxiliary Enterprises, Net of Scholarship Allowances	5,864	5,798		
Other Operating Revenues	1,048	1,312	214	193
<b>Total Operating Revenues</b>	<b>38,993</b>	<b>37,916</b>	<b>1,579</b>	<b>1,685</b>
Less, Operating Expenses	116,934	107,468	1,867	1,051
<b>Operating Income (Loss)</b>	<b>(77,941)</b>	<b>(69,552)</b>	<b>(288)</b>	<b>634</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	53,358	48,649	1,240	513
Other Nonoperating Revenues	19,866	18,890	969	208
Nonoperating Expenses	(312)	(368)		
<b>Net Nonoperating Revenues</b>	<b>72,912</b>	<b>67,171</b>	<b>2,209</b>	<b>721</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(5,030)</b>	<b>(2,381)</b>	<b>1,921</b>	<b>1,355</b>
Capital Appropriations	18,910	11,420		
Capital Grants, Contracts, Gifts, and Fees	2,480	1,817		
<b>Increase in Net Assets</b>	<b>16,360</b>	<b>10,856</b>	<b>1,921</b>	<b>1,355</b>
Net Assets, Beginning of Year	178,827	167,971	4,553	3,198
<b>Net Assets, End of Year</b>	<b>\$ 195,187</b>	<b>\$ 178,827</b>	<b>\$ 6,474</b>	<b>\$ 4,553</b>

### Operating Revenues

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

The following chart presents the College’s operating revenues for the 2006-07 and 2005-06 fiscal years:

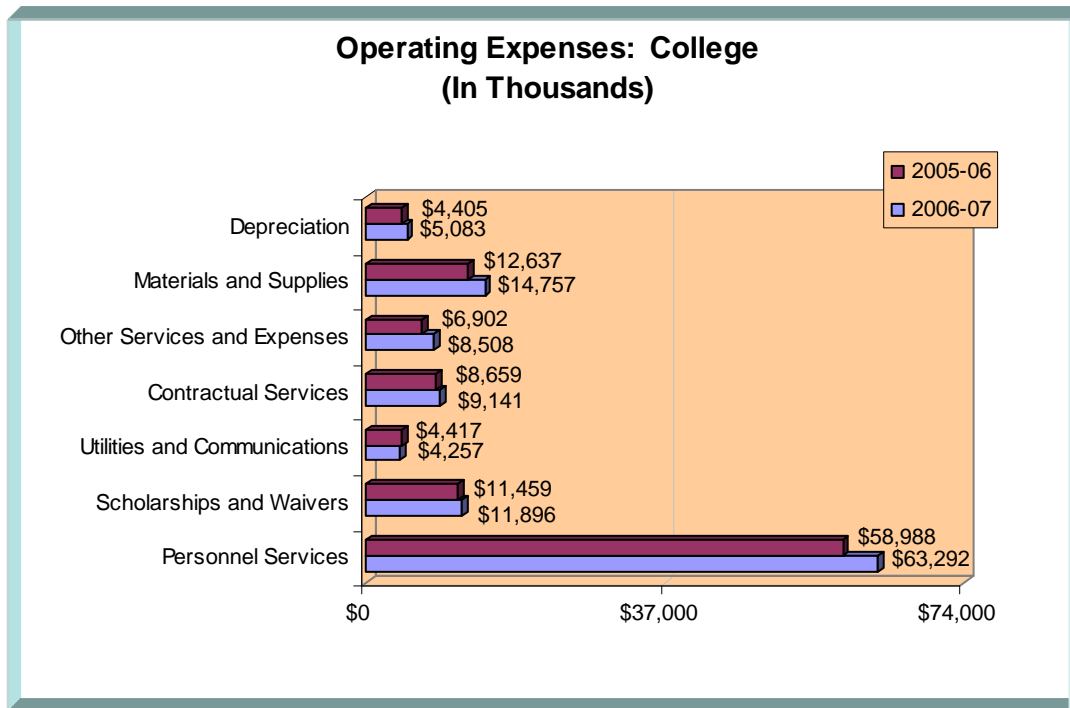


The increase in total operating revenue was primarily the result of increased student tuition and fee revenue, before the consideration of the scholarship allowance, from the College Board of Trustees’ action in raising tuition rates as authorized by State statutes. These increases averaged 2.5 percent and affected all students (in-State and out-of-State).

**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 for the 2006-07 and 2005-06 fiscal years are presented in the following chart:



The increase in total operating expenses was primarily the result of increased personnel services (salaries and benefits) expenses of \$4.3 million, increased materials and supplies expenses of \$2.1 million, and increased other services and expenses of \$1.6 million.

Personnel cost increased primarily due to the 3 percent increase in wages and the related cost of employer taxes and retirement benefits. Materials and supplies increased primarily due to the increase in expenditures for minor equipment and noncapitalized building repairs and maintenance. Other expenses increased primarily due to costs related to the upgrade of the College’s networking systems and administrative software.

**Nonoperating Revenues and Expenses**

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College’s nonoperating revenues and expenses for the 2006-07 and 2005-06 fiscal years:

<b>Nonoperating Revenues (Expenses): College (In Thousands)</b>		
	<u>2006-07</u>	<u>2005-06</u>
State Appropriations	\$ 53,358	\$ 48,649
Gifts and Grants	18,528	17,703
Investment Income	1,338	1,187
Interest on Capital Asset-Related Debt	<u>(312)</u>	<u>(368)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$ 72,912</u></b>	<b><u>\$ 67,171</u></b>

Nonoperating revenues increased by \$5.7 million primarily due to the increase in State appropriations (\$4.7 million) and an increase in gifts and grants (\$824,516).

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

This category is mainly comprised of capital appropriations and capital grants, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2006-07 and 2005-06 fiscal years:

<b>Other Revenues, Expenses, Gains, or Losses: College (In Thousands)</b>		
	<u>2006-07</u>	<u>2005-06</u>
Capital Appropriations	\$ 18,910	\$ 11,420
Capital Grants, Contracts, Gifts, and Fees	<u>2,480</u>	<u>1,818</u>
<b>Total</b>	<b><u>\$ 21,390</u></b>	<b><u>\$ 13,238</u></b>

Other revenues increased by \$8.1 million primarily due to a \$7.5 million increase in Public Education Capital Outlay (PECO) appropriations. The 2006-07 fiscal year budget included capital appropriations for completion of construction of the new South Shore Campus and major renovations at the Ybor and Plant City Campuses.

### **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 2006-07 and 2005-06 fiscal years is presented in the following table:

<b>Condensed Statement of Cash Flows: College</b>		
<b>(In Thousands)</b>		
	<u>2006-07</u>	<u>2005-06</u>
<b>Cash (Used) by:</b>		
Operating Activities	\$ (70,036)	\$ (67,304)
Noncapital Financing Activities	71,885	66,353
Capital and Related Financing Activities	(7,241)	5,428
Investing Activities	<u>1,339</u>	<u>1,190</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(4,053)</b>	<b>5,667</b>
Cash and Cash Equivalents, Beginning of Year	<u>26,576</u>	<u>20,909</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 22,523</u></b>	<b><u>\$ 26,576</u></b>

Major sources of funds came from State noncapital appropriations (\$53.4 million), net student tuition and fees (\$27.4 million), capital appropriations (\$13.3 million), and bookstore receipts (\$5.9 million, included in total cash flows reported for auxiliary enterprises), and grants and contracts (\$4.1 million),.

Cash and cash equivalents decreased primarily due to the anticipated prepayment of long-term debt and use of PECO appropriations received in the 2005-06 fiscal year for major construction projects during the 2006-07 fiscal year.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **CAPITAL ASSETS**

At June 30, 2007, the College had \$216 million in capital assets, less accumulated depreciation of \$67 million, for net capital assets of \$149 million. Depreciation charges for the current fiscal year totaled \$5.1 million. The following table summarizes the College's capital assets for the 2006-07 fiscal year:

<b>Capital Assets: College</b> <b>(In Thousands)</b>				
Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 19,254	\$ 3,674	\$	\$ 22,928
Buildings	135,962	21,236	48	157,150
Other Structures and Improvements	5,344			5,344
Furniture, Machinery, and Equipment	7,526	953	325	8,154
Assets Under Capital Lease	235		96	139
Leasehold Improvements	6,377			6,377
Construction in Progress	21,231	13,731	19,122	15,840
<b>Total</b>	<b>195,929</b>	<b>39,594</b>	<b>19,591</b>	<b>215,932</b>
Less, Accumulated Depreciation:				
Buildings	50,230	4,097	48	54,279
Other Structures and Improvements	4,380	210		4,590
Furniture, Machinery, and Equipment	6,722	692	325	7,089
Assets Under Capital Lease	170	29	96	103
Leasehold Improvements	754	152		906
<b>Total Accumulated Depreciation</b>	<b>62,256</b>	<b>5,180</b>	<b>469</b>	<b>66,967</b>
<b>Capital Assets, Net</b>	<b>\$ 133,673</b>	<b>\$ 34,414</b>	<b>\$ 19,122</b>	<b>\$ 148,965</b>

The College plans \$58.5 million of capital expenditures for the 2007-08 fiscal year. Projects planned include construction of the new South Shore Center/Campus; renovations of buildings on the Ybor City Campus; renovations of buildings on the Plant City Campus; instructional equipment/technology upgrades; and improvements to the Ybor City auto collision repair facility. State appropriations together with local funds are expected to finance the construction, renovation, and purchase of land and facilities. More information about the College's capital assets is presented in the notes to the financial statements.

#### **DEBT ADMINISTRATION**

At fiscal year-end, the College had \$4.2 million in long-term debt outstanding. During the fiscal year ended 2006-07, the College prepaid \$2.3 million of the notes outstanding at June 30, 2006. The prepayment of debt will increase available recurring funds by approximately \$800,000 beginning the fiscal year ended 2007-08. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2007, and June 30, 2006:

<b>Long-Term Debt, at June 30: College (In Thousands)</b>		
	College	
	2007	2006
SBE Capital Outlay Bonds	\$ 3,405	\$ 3,600
Notes Payable	700	3,694
Capital Leases Payable	48	116
<b>Total</b>	<b>\$ 4,153</b>	<b>\$ 7,410</b>

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2006-07 fiscal year, there were no bond sales (the Foundation issued \$18.6 million in revenue bonds related to Hawks Landing) and debt repayments totaled \$3.3 million. Additional information about the College’s long-term debt is presented in the notes to the financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

Hillsborough Community College’s economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the coming year. We expect a \$675,000 increase in tuition as a result of the 5 percent increase approved for Spring 2008. Additionally, State appropriations to the College are anticipated to decrease by approximately \$1.7 million. In anticipation of a reduction in recurring revenue, the College is aggressively reviewing the fiscal year ended 2007-08 budget to identify expenses that could be reduced with minimum impact to students.

**REQUESTS FOR INFORMATION**

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

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**FINANCIAL SECTION**


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**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS  
As of June 30, 2007**

	College	Component Unit
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 12,450,117	\$ 799,211
Restricted Cash and Cash Equivalents	2,034,087	14,404,943
Accounts Receivable, Net	2,731,113	393,676
Due from Other Governmental Agencies	34,072,576	
Inventories	1,053,034	
Prepaid Expenses	1,115,366	687
	<b>Total Current Assets</b>	<b>15,598,517</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	8,039,244	4,753,084
Restricted Investments	78,338	5,039,885
Depreciable Capital Assets, Net	110,196,494	
Nondepreciable Capital Assets	38,768,115	
Other Assets		1,221,074
	<b>Total Noncurrent Assets</b>	<b>11,014,043</b>
	<b>TOTAL ASSETS</b>	<b>\$ 26,612,560</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 3,268,011	\$ 303,935
Salary and Payroll Taxes Payable	2,682,937	
Retainage Payable	972,162	1,234,248
Deferred Revenue	15,525	
Deposits Held for Others	638,169	
Long-Term Liabilities - Current Portion:		
Bonds Payable	205,000	
Notes Payable	55,593	
Capital Leases Payable	28,290	
Compensated Absences Payable	500,000	
	<b>Total Current Liabilities</b>	<b>1,538,183</b>
Noncurrent Liabilities:		
Bonds Payable	3,200,000	18,600,000
Notes Payable	644,475	
Capital Leases Payable	19,468	
Compensated Absences Payable	3,121,731	
	<b>Total Noncurrent Liabilities</b>	<b>18,600,000</b>
	<b>TOTAL LIABILITIES</b>	<b>20,138,183</b>

**HILLSBOROUGH COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**As of June 30, 2007**

	<u>College</u>	<u>Component Unit</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 144,811,784	\$
Restricted:		
Nonexpendable:		
Endowment		2,269,663
Expendable:		
Grants and Loans	2,273,637	2,187,375
Scholarships	76,119	1,557,235
Capital Projects	38,243,168	
Debt Service	78,338	
Other		
Unrestricted	<u>9,704,077</u>	<u>460,104</u>
<b>Total Net Assets</b>	<u>195,187,123</u>	<u>6,474,377</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 210,538,484</u>	<u>\$ 26,612,560</u>

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

**HILLSBOROUGH COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2007**

	College	Component Unit
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$ 7,555,631.38	\$ 27,359,699	\$
Federal Grants and Contracts	3,251,921	
State and Local Grants and Contracts	622,292	
Nongovernmental Grants and Contracts	280,731	1,365,064
Sales and Services of Educational Departments	565,961	
Auxiliary Enterprises, Net of Scholarship Allowances of \$674,333.31	5,863,852	
Other Operating Revenues	1,048,160	214,426
<b>Total Operating Revenues</b>	<b>38,992,616</b>	<b>1,579,490</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	63,292,290	
Scholarships and Waivers	11,896,029	1,500,440
Utilities and Communications	4,256,806	
Contractual Services	9,140,513	
Other Services and Expenses	8,508,169	366,712
Materials and Supplies	14,756,963	
Depreciation	5,083,428	
<b>Total Operating Expenses</b>	<b>116,934,198</b>	<b>1,867,152</b>
<b>Operating Loss</b>	<b>(77,941,582)</b>	<b>(287,662)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	53,357,539	1,240,011
Gifts and Grants	18,527,892	
Investment Income	1,338,591	969,227
Interest on Capital Asset-Related Debt	(312,338)	
<b>Net Nonoperating Revenues</b>	<b>72,911,684</b>	<b>2,209,238</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(5,029,898)</b>	<b>1,921,576</b>
Capital Appropriations	18,910,211	
Capital Grants, Contracts, Gifts, and Fees	2,479,700	
<b>Total Other Revenues</b>	<b>21,389,911</b>	
<b>Increase in Net Assets</b>	<b>16,360,013</b>	<b>1,921,576</b>
Net Assets, Beginning of Year	178,827,110	4,552,801
<b>Net Assets, End of Year</b>	<b>\$ 195,187,123</b>	<b>\$ 6,474,377</b>

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

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2007**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 27,496,749
Grants and Contracts	4,058,926
Payments to Suppliers	(30,125,786)
Payments for Utilities and Communications	(4,256,806)
Payments to Employees	(50,756,460)
Payments for Employee Benefits	(12,947,171)
Payments for Scholarships	(11,896,029)
Collection of Loans to Students	1,145
Auxiliary Enterprises	6,288,531
Sales and Service of Educational Departments	565,961
Other Receipts	1,534,418
	<b>(70,036,522)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	53,357,539
Gifts and Grants Received for Other Than Capital or Endowment Purposes	18,527,892
	<b>71,885,431</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Appropriations	13,263,029
Capital Grants and Gifts	2,479,700
Purchases of Capital Assets	(19,418,083)
Principal Paid on Capital Debt and Leases	(3,255,014)
Interest Paid on Capital Debt and Leases	(310,455)
	<b>(7,240,823)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	1,338,591
	<b>1,338,591</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(4,053,323)</b>
Cash and Cash Equivalents, Beginning of Year	26,576,771
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 22,523,448</b>

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS (Continued)  
For the Fiscal Year Ended June 30, 2007**

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (77,941,582)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,083,428
Changes in Assets and Liabilities:	
Receivables, Net	460,624
Inventories	(26,382)
Other Assets	446,703
Accounts Payable	2,317,231
Deferred Revenue	5,087
Deposits Held for Others	32,147
Compensated Absences Payable	(413,778)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (70,036,522)</b>

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

**HILLSBOROUGH COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**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 5 members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Community Colleges, and is governed by law and State Board of Education rules. However, the District Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Hillsborough County.

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2007.

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

**HILLSBOROUGH COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2007**

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

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

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

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

The College follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

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

**HILLSBOROUGH COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2007**

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows for Proprietary and Non-Expendable Trust Funds*.

**Cash and Cash Equivalents.** The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, cash with escrow agent, and cash held with the State Board of Administration. For the purpose of reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Board of Administration Local Government Surplus Funds Trust Fund investment pools 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.

**HILLSBOROUGH COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2007**

At June 30, 2007, the College reported as cash equivalents at fair value \$17,195,199 of moneys held in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The College's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign credit risk. The investment pool was not rated by a nationally recognized statistical rating agency as of June 30, 2007.

**Capital Assets.** College capital assets consist of land; buildings; other structures and improvements; furniture, machinery, and equipment; assets under capital leases; leasehold improvements; and construction in progress. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings - 40 years
- Other Structures and Improvements - 10 years
- Furniture, Machinery, and Equipment:
  - Computer Equipment - 3 years
  - Vehicles, Office Machines, Educational Equipment - 5 years
  - Furniture - 7 years
  - Pianos - 10 years
- Leasehold Improvements - 40 years
- Assets Under Capital Leases - 2 to 6 years

## 2. INVESTMENTS

Section 218.415(16), Florida Statutes, authorizes the College to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities;

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2007**

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 reported investments at fair value totaling \$78,338 at June 30, 2007, 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 the financial statements of the State’s Comprehensive Annual Financial Report.

**Component Unit Investments**

Investments held by the College’s component unit at June 30, 2007, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
United States Government and Federally-Guaranteed Obligations	\$ 489,463
Bonds and Notes	735,244
Stocks and Other Equity Securities	2,670,608
Money Market and Mutual Funds	<u>1,144,570</u>
<b>Total Component Unit Investments</b>	<b><u><u>\$ 5,039,885</u></u></b>

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferrals, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and grant reimbursements due from third parties. These receivables are reported net of a \$941,676 allowance for uncollectible accounts.

**HILLSBOROUGH COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2007**

**4. NOTES RECEIVABLE**

The College has discontinued the short-term loan program and has liquidated the Federal Perkins Loan Program. There is no allowance for uncollectible notes.

**5. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$32,761,153 of Public Education Capital Outlay allocations due from the State to the College for construction of College facilities.

**6. INVENTORIES**

Inventories consist of items for resale by the campus bookstore and central stores, and are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

**7. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2007, is shown below:

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2007**

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 19,253,814	\$ 3,674,500	\$	\$ 22,928,314
Construction in Progress	21,231,393	13,730,699	19,122,291	15,839,801
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 40,485,207</b>	<b>\$ 17,405,199</b>	<b>\$ 19,122,291</b>	<b>\$ 38,768,115</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 135,962,438	\$ 21,235,704	\$ 48,577	\$ 157,149,565
Other Structures and Improvements	5,344,196			5,344,196
Furniture, Machinery, and Equipment	7,526,209	952,911	324,885	8,154,235
Assets Under Capital Lease	235,269		96,418	138,851
Leasehold Improvements	6,376,319			6,376,319
<b>Total Depreciable Capital Assets</b>	<b>155,444,431</b>	<b>22,188,615</b>	<b>469,880</b>	<b>177,163,166</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings (1)	50,230,393	4,096,721	48,577	54,278,537
Other Structures and Improvements	4,379,906	210,323		4,590,229
Furniture, Machinery, and Equipment	6,722,147	691,747	324,885	7,089,009
Assets Under Capital Lease (1)	170,002	29,534	96,418	103,118
Leasehold Improvements	754,258	151,521		905,779
<b>Total Accumulated Depreciation</b>	<b>62,256,706</b>	<b>5,179,846</b>	<b>469,880</b>	<b>66,966,672</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 93,187,725</b>	<b>\$ 17,008,769</b>	<b>\$</b>	<b>\$ 110,196,494</b>

Note: (1) For accumulated depreciation, additions for buildings and reductions for assets under capital lease include a \$96,418 reclassification adjustment.

**8. LONG-TERM LIABILITIES**

Long-term liabilities of the College at June 30, 2007, include bonds, notes, capital leases, and compensated absences. Long-term liabilities activity for the fiscal year ended June 30, 2007, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 3,600,000	\$	\$ 195,000	\$ 3,405,000	\$ 205,000
Notes Payable	3,693,876		2,993,808	700,068	55,593
Capital Leases Payable	116,174		68,416	47,758	28,290
Compensated Absences Payable	4,035,509		413,778	3,621,731	500,000
<b>Total Long-Term Liabilities</b>	<b>\$ 11,445,559</b>	<b>\$</b>	<b>\$ 3,671,002</b>	<b>\$ 7,774,557</b>	<b>\$ 788,883</b>

During the fiscal year ended 2006-07, the College prepaid an additional \$2.3 million of its notes that were outstanding at June 30, 2006.

**Bonds Payable.** The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2007**

vehicle license tax and by the State's full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable outstanding at June 30, 2007:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds: Series 1999-A	<u>\$ 3,405,000</u>	4.0 – 4.75	2019

Annual requirements to amortize all bonded debt outstanding as of June 30, 2007, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2008	\$ 205,000	\$ 156,063	\$ 361,063
2009	215,000	147,863	362,863
2010	230,000	138,994	368,994
2011	240,000	128,931	368,931
2012	255,000	118,131	373,131
2013-2017	1,520,000	399,613	1,919,613
2018-2019	740,000	53,200	793,200
<b>Total</b>	<u>\$ 3,405,000</u>	<u>\$ 1,142,795</u>	<u>\$ 4,547,795</u>

**Notes Payable.** The College borrowed \$900,000 from Sun Trust Bank with the proceeds delivered to the College on March 25, 2003. The proceeds were used towards the purchase of real property, which includes land and buildings (referred to as the W.T. Edwards Property) located adjacent to the College's Dale Mabry Campus. The promissory note included provisions for scheduled semi-annual installments of principal and interest on September 1 and March 1 of each year, commencing on September 1, 2003, and ending September 1, 2017. The note was issued under the authority of Section 1001.64, Florida Statutes, and other applicable provisions of law, and pursuant and subject to the terms and conditions of a resolution duly adopted by the Board of Trustees on March 19, 2003. The balance of this note at June 30, 2007, was \$700,068.

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2007**

Annual requirements to amortize the outstanding notes as of June 30, 2007, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$ 55,593	\$ 25,599	\$ 81,192
2009	57,686	23,506	81,192
2010	59,857	21,334	81,191
2011	62,111	19,081	81,192
2012	64,449	16,742	81,191
2013-2017	360,520	45,437	405,957
2018	39,852	743	40,595
<b>Total</b>	<b>\$ 700,068</b>	<b>\$ 152,442</b>	<b>\$ 852,510</b>

**Bonds Payable - Component Unit**

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

Fiscal Year Ending June 30	Amount
2008	\$
2009	300,000
2010	300,000
2011	325,000
2012-2033	17,675,000
<b>Total</b>	<b>\$ 18,600,000</b>

Bond issue costs of \$1,089,843 are being amortized over the life of the bonds (324 months) using the straight-line method. At June 30, 2007, bond issue costs consist of the following:

	Amount
Bond Underwriter's Discount and Issue Costs	\$1,089,843
Less, Accumulated Amortization	23,546
<b>Total</b>	<b>\$1,066,297</b>

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2007**

**Capital Leases Payable.** Vehicles and medical equipment in the amount of \$138,851 are being acquired under capital lease agreements. The stated and imputed interest rates ranged from 8.5 to 21.9 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2007, are as follows:

Fiscal Year Ending June 30	Amount
2008	\$ 32,379
2009	21,863
2010	987
<b>Total Minimum Payments</b>	55,229
Less, Amount Representing Interest	(7,471)
<b>Present Value of Minimum Payments</b>	<b>\$ 47,758</b>

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2007, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$3,621,731. Of this amount, \$500,000 is considered the current portion of the compensated absences liability as this is expected to be paid in the coming fiscal year, and includes payments for employees in the final year of the Deferred Retirement Option Program.

**9. RETIREMENT PROGRAMS**

**Florida Retirement System.** Most employees working in regularly established positions of the College are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The

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Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

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

The State of Florida establishes contribution rates for participating employers. Contribution rates during the fiscal year ended 2006-07 were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions including employee contributions for the fiscal years ended June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$2,298,433, \$2,544,327, and \$2,904,991, respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. College employees already participating in the State Community College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment

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funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 192 College participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$567,198.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing community 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 community college to the participant's annuity account.

There were 94 College participants during the 2006-07 fiscal year. Required employer contributions made to the Program totaled \$625,771.

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**10. CONSTRUCTION COMMITMENTS**

The College's construction commitments at June 30, 2007, are as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Plant City Remodel and Renovation:			
Architect	\$ 331,709	\$ 297,017	\$ 34,692
Contractor	3,461,077	2,046,163	1,414,914
Ybor Remodel and Renovation:			
Architect	664,880	584,772	80,108
Contractor	7,692,409	3,444,011	4,248,398
Ybor Live Fire Training Simulator:			
Architect	23,786	15,731	8,055
Contractor	437,188	381,688	55,500
Ybor Auto Collision:			
Architect	97,157	45,968	51,189
Ybor Classroom Renovation:			
Contractor	101,952	91,757	10,195
South Shore-Planning and Construction:			
Architect	997,685	427,620	570,065
Contractor	16,850,000	3,067,247	13,782,753
W.T. Edwards Abatement and Demolition:			
Architect	221,385	197,385	24,000
Contractor	594,675	100,057	494,618
Dale Mabry Student Activity Center:			
Architect	36,000	32,820	3,180
Contractor	383,847	314,870	68,977
Dale Mabry Classroom Renovation:			
Contractor	58,000	47,796	10,204
Brandon Classroom Renovation:			
Contractor	190,619	106,576	84,043
<b>Total</b>	<b>\$ 32,142,369</b>	<b>\$ 11,201,478</b>	<b>\$ 20,940,891</b>

**11. OPERATING LEASE COMMITMENTS**

The College leased electrical transformers under operating leases which expire in 2016. These leased assets and the related commitments are not reported on the College's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

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Fiscal Year Ending June 30	Amount
2008	\$ 29,069
2009	29,069
2010	29,069
2011	19,131
2012	15,819
2013-2016	61,957
<b>Total Minimum Payments Required</b>	<b>\$ 184,114</b>

**12. RISK MANAGEMENT PROGRAMS**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida Community Colleges Risk Management Consortium, which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public community colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide community college risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$115 million. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Health and hospitalization, life, dental, and long-term disability coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

**13. LITIGATION**

The College is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the College's legal counsel and management, should not materially affect the College's financial position.

**14. SCHEDULE OF STATE REVENUE SOURCES**

Revenue from State sources for current operations is primarily from the Community College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college's

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apportionment considering the following components: base budget, which includes the State appropriation to the Community College Program Fund in the current year plus the related student tuition and fees assigned in the current General Appropriations Act; the cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which are determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates are deducted from the sum of these components to determine the net annual State apportionment to each college.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the College on an annual basis. The College is authorized to receive and expend these resources only upon applying for and receiving an encumbrance authorization from the Florida Department of Education.

The following is a summary of State revenue sources and amounts:

<u>Source</u>	<u>Amount</u>
Community College Program Fund	\$ 45,618,083
Gross Receipts Tax (Public Education Capital Outlay)	18,273,103
Education Enhancement Trust Fund (Lottery)	5,631,208
Bright Futures Scholarship Program	2,074,414
Florida Student Assistance Grants	1,820,186
Restricted Contracts and Grants	1,208,167
Performance Based Incentives	894,953
Motor Vehicle License Tax (Capital Outlay and Debt Service)	637,109
Other State Sources	16,963
<b>Total</b>	<b>\$ 76,174,186</b>

**15. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

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Functional Classification	Amount
Instruction	\$ 40,393,496
Public Services	2,706,614
Academic Support	5,332,239
Student Services	11,683,344
Institutional Support	18,457,777
Operation and Maintenance of Plant	15,682,668
Scholarships and Fellowships	11,700,403
Depreciation	5,083,428
Auxiliary Enterprises	5,894,229
<b>Total Operating Expenses</b>	<b>\$ 116,934,198</b>

**16. SUBSEQUENT EVENT**

As discussed in note 1, at June 30, 2007, the College had \$17,195,199 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund investment pool (Pool). On December 4, 2007, the State Board of Administration restructured the Pool and implemented temporary restrictions on the withdrawal of moneys that were on deposit including the requirement that a redemption fee be paid for withdrawals in excess of amounts to be periodically set by the State Board of Administration. Information regarding the restructuring and withdrawal restrictions is available from the College and the State Board of Administration. The College had \$9,969,868 invested in the Pool as of March 13, 2008.