



AUDITOR GENERAL
WILLIAM O. MONROE, CPA



HILLSBOROUGH COMMUNITY COLLEGE
Financial Audit

For the Fiscal Year Ended June 30, 2005

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

Board Member

Dr. W. Edward Gonzalez, Jr., Chair
Thomas Huggins, III, Vice Chair
Daniel M. Coton
Chappella I. Hill
Nancy H. Watkins

HILLSBOROUGH COMMUNITY COLLEGE

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EXECUTIVE SUMMARY

The audit of the financial statements of Hillsborough Community College for the fiscal year ended June 30, 2005, 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 has complied with applicable laws, administrative 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 following provides a summary of the findings of our audit of the financial statements of the College:

- 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, 2005; the revenues, expenses, and changes in net assets; and the cash flows for the fiscal year then ended.
- We noted no matters involving the College's internal control over financial reporting and its operation that we considered 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*.

This audit was made in accordance with applicable *Government Auditing Standards* issued by the Comptroller General of the United States. This audit was coordinated by Leslee W. Walker, CPA, and supervised by Christina R. Porter, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at tedsauerbeck@aud.state.fl.us or by telephone at (850) 487-4468.

This report, as well as other audit reports prepared by the Auditor General, can be obtained on our Web site at www.state.fl.us/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Hillsborough Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2005, as shown on pages 14 through 36. 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 comprises 100 percent of the transactions and account balances of the discretely presented component unit column. 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, 2005, 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.

As discussed in note 2 to the financial statements, the College changed its method of reporting certain Federal and State student financial aid revenues for the 2004-05 fiscal year in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This affects the comparability of amounts reported as operating and nonoperating revenues in the statement of revenue, expenses, and changes in net assets for the 2004-05 fiscal year with amounts reported for the 2003-04 fiscal year.

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, administrative 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 13 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,



William O. Monroe, CPA
December 10, 2005



WILLIAM O. MONROE, 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, 2005, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. 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. Our report on the financial statements included disclosures regarding our reference to the report of other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the College's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

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, administrative 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*.

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,



William O. Monroe, CPA
December 10, 2005

MANAGEMENT’S DISCUSSION AND ANALYSIS

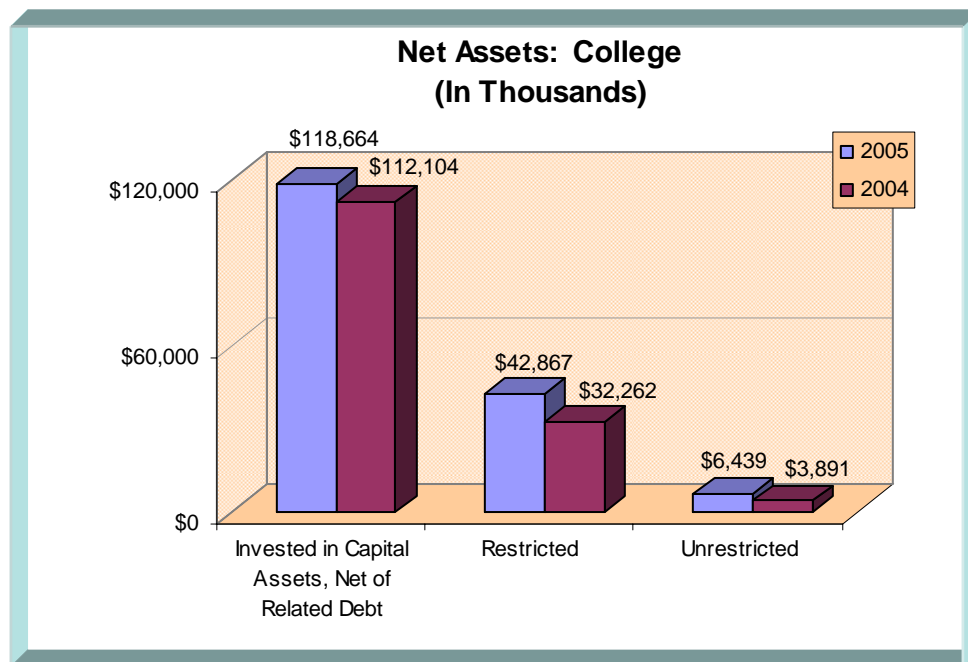
The management’s discussion and analysis of Hillsborough Community College’s financial statements provides an overview of the College’s financial activities for the fiscal year ended June 30, 2005. Management has prepared the financial statements and the related note disclosures along with the management’s 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 2004-05 and 2003-04 fiscal years, and should be read in conjunction with the accompanying financial statements.

The following activities are included in the College’s basic financial statements:

- 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.

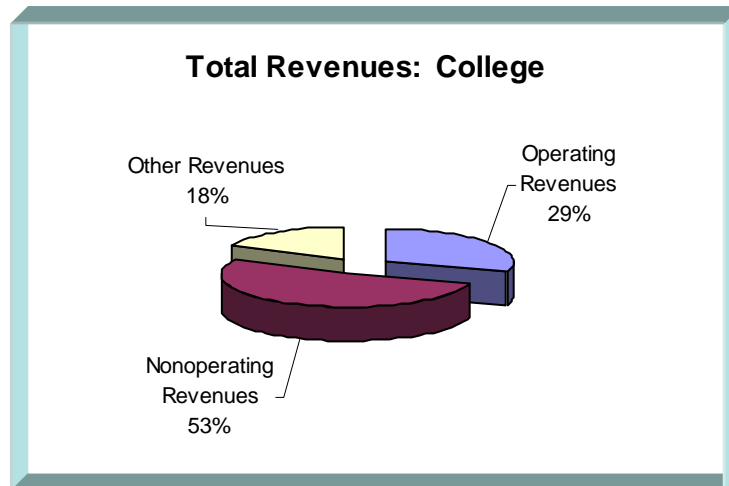
FINANCIAL HIGHLIGHTS

The College’s net assets by category for the fiscal years ended June 30, 2005, and June 30, 2004, are shown in the following graph:



The College’s financial position, as a whole, is satisfactory as of the fiscal year ended June 30, 2005. The combined net assets of the College and the Foundation amounted to \$171.2 million.

The following chart provides a graphical breakdown of revenues by category for the 2004-05 fiscal year:



For the fiscal year ended June 30, 2005, College revenues and other support exceeded expenses, creating an increase in net assets of \$19.7 million. The Foundation's net assets increased by \$1.2 million.

USING THIS ANNUAL REPORT

This 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 provide information on the College as a whole and present a long-term view of the College's finances.

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 revenue, 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 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, 2005, and June 30, 2004, is shown in the following table:

Assets, Liabilities, and Net Assets at June 30				
(In Thousands)				
	College		Component Unit	
	2005	2004	2005	2004
Assets				
Current Assets	\$ 52,979	\$ 39,409	\$ 575	\$ 668
Noncurrent Assets	6,897	7,579	2,736	1,337
Capital Assets, Net	<u>127,003</u>	<u>121,091</u>		
Total Assets	<u>186,879</u>	<u>168,079</u>	<u>3,311</u>	<u>2,005</u>
Liabilities				
Current Liabilities	7,768	7,573	113	49
Noncurrent Liabilities	<u>11,141</u>	<u>12,249</u>		
Total Liabilities	<u>18,909</u>	<u>19,822</u>	<u>113</u>	<u>49</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	118,664	112,104		
Restricted	42,867	32,262	3,138	1,993
Unrestricted	<u>6,439</u>	<u>3,891</u>	<u>60</u>	<u>(37)</u>
Total Net Assets	<u>\$ 167,970</u>	<u>\$ 148,257</u>	<u>\$ 3,198</u>	<u>\$ 1,956</u>
Increase in Net Assets	<u>\$ 19,713</u>	13.3%	<u>\$ 1,242</u>	63.5%

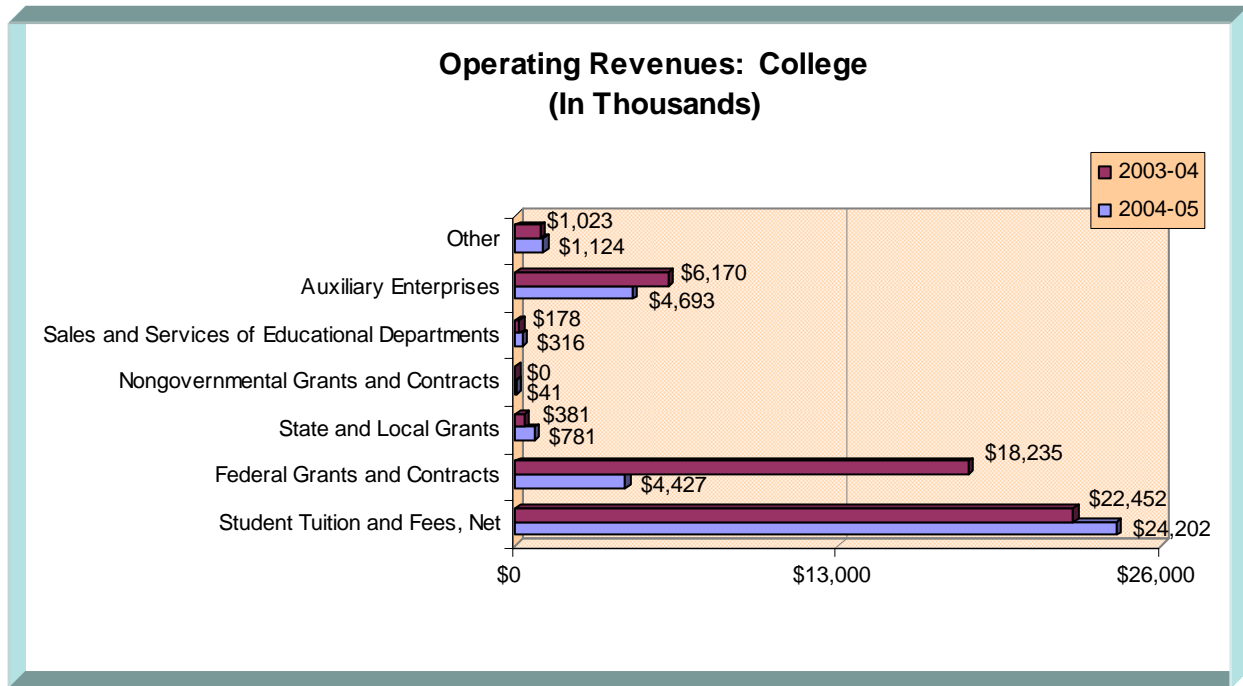
Revenues and expenses of the College and its component unit for the 2004-05 and 2003-04 fiscal years are summarized in the following table:

**Operating Results for the Fiscal Years
(In Thousands)**

	College		Component Unit	
	2004-05	2003-04	2004-05	2003-04
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 24,202	\$ 22,452	\$	\$
Federal Grants and Contracts	4,427	18,235		
State and Local Grants and Contracts	781	381		
Nongovernmental Grants and Contracts	41		814	466
Sales and Services of Educational Departments	316	178		
Auxiliary Sales	4,693	6,170		
Other Operating Revenues	1,124	1,023	192	298
Total Operating Revenues	35,584	48,439	1,006	764
Less, Operating Expenses	101,730	94,248	573	550
Net Operating Income (Loss)	(66,146)	(45,809)	433	214
Nonoperating Revenues (Expenses)				
State Appropriations	45,857	42,708	656	179
Other Nonoperating Revenues (Expenses)	18,601	(906)	153	189
Net Nonoperating Revenues (Expenses)	64,458	41,802	809	368
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
Capital Appropriations	(1,687)	(4,007)	1,242	582
Capital Grants and Contracts	18,361	20,932		
Sale or Disposal of Assets	529	518		
	2,510			
Increase in Net Assets	19,713	17,443	1,242	582
Net Assets, Beginning of Year	148,257	130,814	1,956	1,374
Net Assets, End of Year	\$ 167,970	\$ 148,257	\$ 3,198	\$ 1,956

Operating Revenues

Operating revenues for the College for the 2004-05 and 2003-04 fiscal years are summarized in the following chart:

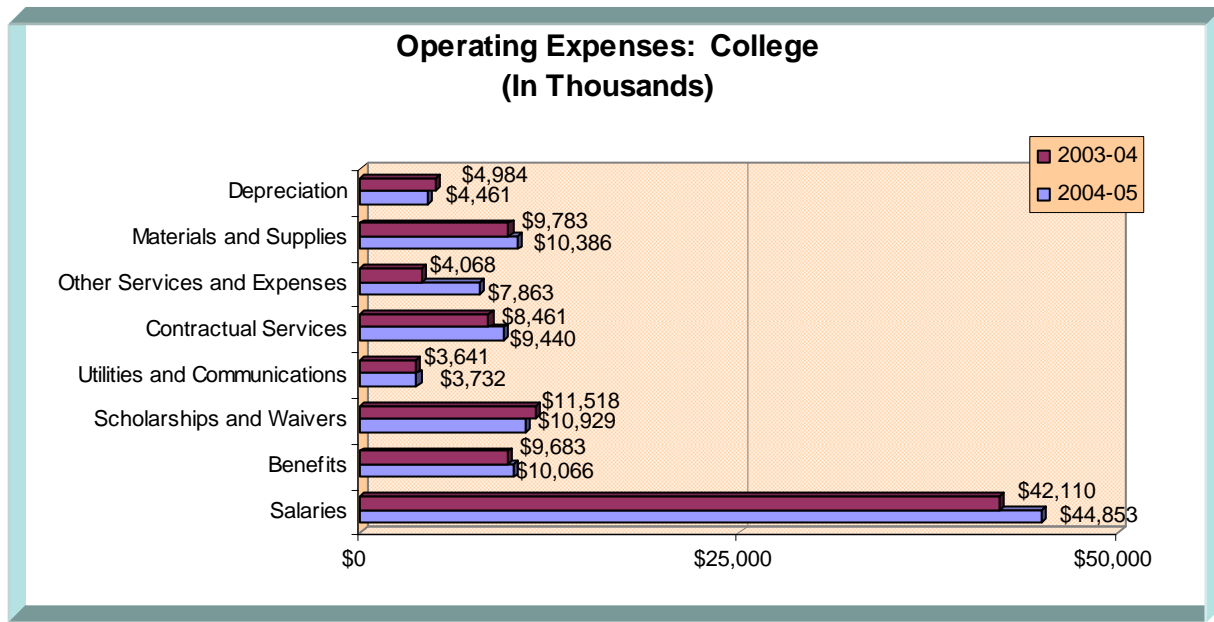


College operating revenue changes were the result of the following factors:

- Student tuition and fee revenue increased, before the consideration of the scholarship allowance, from the District Board of Trustees’ action in raising tuition rates as authorized by State statutes. These increases averaged 5 percent and affected all students (in-State and out-of-State).
- The College changed its method of reporting certain Federal and State student financial aid revenues for the 2004-05 fiscal year in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This affects the comparability of amounts reported as operating and nonoperating revenues in the statement of revenues, expenses, and changes in net assets for the 2004-05 fiscal year with amounts reported for the 2003-04 fiscal year.

Operating Expenses

Operating expenses for the College for the 2004-05 and 2003-04 fiscal years are summarized in the following chart:



Operating expense changes were the result of the following factors:

- The major increases in operating expenses pertain to personnel services (i.e., salaries and benefits) and other services and expenses of approximately \$3.1 million and \$3.8 million, respectively.
- The major items included in operating expenses for the Foundation pertain to scholarships, and other services and expenses. Other expenses pertain to fund-raising, professional fees, receptions and printing, which were held to a minimum.

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 2004-05 and 2003-04 fiscal years is presented in the following table:

Cash Flows for the Fiscal Years (In Thousands)		
	<u>2004-05</u>	<u>2003-04</u>
Cash Provided (Used) by:		
Operating Activities	\$(62,164)	\$(43,569)
Noncapital Financing Activities	64,304	41,996
Capital and Related Financing Activities	142	1,469
Investing Activities	<u>554</u>	<u>230</u>
Net Increase in Cash and Cash Equivalents	2,836	126
Cash and Cash Equivalents, Beginning of the Year	<u>18,159</u>	<u>18,033</u>
Cash and Cash Equivalents, End of the Year	<u><u>\$ 20,995</u></u>	<u><u>\$ 18,159</u></u>

Major sources of funds came from State appropriations (\$45.8 million), net student tuition and fees (\$24.2 million), grants and contracts (\$5.2 million), and bookstore receipts (\$4.3 million). Tuition and fees and bookstore receipts increased due to an increase in enrollment.

State appropriations increased by approximately \$3.1 million during the current year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2005, the College had approximately \$127 million, net of accumulated depreciation, invested in capital assets. Details of these assets for the year are shown in the following table:

Capital Assets - College (In Thousands)				
Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 19,268	\$	\$ 14	\$ 19,254
Buildings	132,968	2,994		135,962
Other Structures and Improvements	5,344			5,344
Furniture, Machinery, and Equipment	8,430	283	1,027	7,686
Capital Leases		228		228
Leasehold Improvements	6,376			6,376
Construction in Progress	3,803	9,876	2,994	10,685
Total	176,189	13,381	4,035	185,535
Less, Accumulated Depreciation:				
Buildings	43,124	3,553		46,677
Other Structures and Improvements	3,947	223		4,170
Furniture, Machinery, and Equipment	7,576	442	1,027	6,991
Capital Leases		92		92
Leasehold Improvements	451	151		602
Total Accumulated Depreciation	55,098	4,461	1,027	58,532
Capital Assets, Net	\$121,091	\$ 8,920	\$ 3,008	\$127,003

The College plans capital expenditures for the 2005-06 fiscal year at approximately \$44.9 million. Projects planned include completion of construction of the Brandon Campus Student Services Building and the John R. Trinkle Building located on the Plant City Campus. Planning is underway for the construction of the new South Shore Center/Campus, renovations of three buildings on the Ybor City Campus, renovations of three buildings on the Plant City Campus, potential land acquisition for a northwest county center/campus, and purchase of an 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 financial statements.

DEBT

At fiscal year-end, the College had approximately \$12.8 million in debt outstanding. The table below summarizes these amounts by type of debt instrument for the fiscal years ended June 30, 2005, and June 30, 2004:

Outstanding Debt, at June 30		
(In Thousands)		
	College	
	2005	2004
SBE Capital Outlay Bonds	\$ 3,785	\$ 3,960
Notes Payable	4,374	5,025
Total	\$ 8,159	\$ 8,985

On behalf of the College, the State Board of Education Capital Outlay Bonds are issued by the State Board of Education. There were no bond sales during the year. Debt repayments of \$.9 million were made during the 2004-05 fiscal year. More detailed information about the College's long-term liabilities is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The economic position of Hillsborough Community College is closely tied to 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. Therefore, the Board of Trustees took the action of increasing the tuition rate 8.2 percent to take effect beginning with the Fall 2005 term. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will enable it to maintain its present level of services.

FINANCIAL SECTION

**HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
As of June 30, 2005**

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 9,408,657.41	\$ 395,213.00
Restricted Cash and Cash Equivalents	4,689,156.97	
Accounts Receivable, Net	3,289,915.85	85,496.00
Due from Other Governmental Agencies	33,491,755.48	
Notes Receivable, Net	12,911.64	
Inventories	937,721.10	
Prepaid Expenses	1,149,126.97	94,537.00
Total Current Assets	<u>52,979,245.42</u>	<u>575,246.00</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	6,811,289.45	
Restricted Investments	86,036.18	2,735,536.00
Depreciable Capital Assets, Net	97,064,157.94	
Nondepreciable Capital Assets	29,938,907.25	
Total Noncurrent Assets	<u>133,900,390.82</u>	<u>2,735,536.00</u>
TOTAL ASSETS	<u>\$ 186,879,636.24</u>	<u>\$ 3,310,782.00</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,228,587.19	\$ 113,086.00
Salary and Payroll Taxes Payable	2,621,126.22	
Retainage Payable	594,084.86	
Deferred Revenue	5,025.00	
Deposits Held for Others	681,542.90	
Long-Term Liabilities - Current Portion:		
Bonds Payable	185,000.00	
Notes Payable	680,213.77	
Capital Leases Payable	72,617.43	
Compensated Absences Payable	700,000.00	
Total Current Liabilities	<u>7,768,197.37</u>	<u>113,086.00</u>
Noncurrent Liabilities:		
Bonds Payable	3,600,000.00	
Notes Payable	3,693,888.42	
Capital Leases Payable	106,893.42	
Compensated Absences Payable	3,707,091.00	
Other Liabilities	32,847.65	
Total Noncurrent Liabilities	<u>11,140,720.49</u>	
TOTAL LIABILITIES	<u>18,908,917.86</u>	<u>113,086.00</u>

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2005

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 118,664,452.95	\$
Restricted:		
Expendable:		
Grants and Loans	3,028,559.00	
Scholarships	16,367.37	
Capital Projects	39,729,110.36	
Debt Service	93,699.16	
Other		3,137,957.00
Unrestricted	6,438,529.54	59,739.00
Total Net Assets	167,970,718.38	3,197,696.00
TOTAL LIABILITIES AND NET ASSETS	\$ 186,879,636.24	\$ 3,310,782.00

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, 2005

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$7,553,867.83	\$ 24,202,196.31	\$
Federal Grants and Contracts	4,427,473.78	
State and Local Grants and Contracts	780,942.65	
Nongovernmental Grants and Contracts	40,976.55	814,268.00
Sales and Services of Educational Departments	316,158.55	
Auxiliary Enterprises	4,692,772.69	
Other Operating Revenues	1,123,709.10	191,908.00
Total Operating Revenues	35,584,229.63	1,006,176.00
EXPENSES		
Operating Expenses:		
Personnel Services	54,918,480.30	
Scholarships and Waivers	10,929,474.61	311,034.00
Utilities and Communications	3,731,593.49	
Contractual Services	9,439,542.60	
Other Services and Expenses	7,863,275.09	261,728.00
Materials and Supplies	10,385,775.47	
Depreciation	4,461,480.05	
Total Operating Expenses	101,729,621.61	572,762.00
Operating Income (Loss)	(66,145,391.98)	433,414.00
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	45,856,839.81	655,780.00
Investment Income	554,127.54	152,539.00
Interest on Capital Asset-Related Debt	(400,342.56)	
Nonoperating Gifts and Grants	18,418,115.98	
Other Nonoperating Revenues	29,368.88	
Net Nonoperating Revenues	64,458,109.65	808,319.00
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,687,282.33)	1,241,733.00
Capital Appropriations	18,361,215.00	
Capital Grants, Gifts, and Fees	528,833.17	
Gain on Sale of Assets	2,510,236.30	
Total Other Revenues	21,400,284.47	
Increase in Net Assets	19,713,002.14	1,241,733.00
Net Assets, Beginning of Year	148,257,716.24	1,955,963.00
Net Assets, End of Year	\$ 167,970,718.38	\$ 3,197,696.00

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, 2005**

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$ 25,615,625.67
Grants and Contracts	4,897,832.97
Payments to Suppliers	(26,921,172.21)
Payments to Utilities and Communications	(3,731,593.49)
Payments to Employees	(46,768,437.75)
Payments for Employee Benefits	(10,138,291.47)
Payments for Scholarships	(10,929,474.61)
Net Loans Issued to Students	(46,587.47)
Collection of Loans to Students	49,004.49
Auxiliary Enterprises	4,369,116.47
Sales and Service of Educational Departments	316,158.55
Other Receipts	1,123,709.10
	(62,164,109.75)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	45,856,839.81
Nonoperating Gifts and Grants	18,418,115.98
Other Nonoperating Revenues	29,368.88
	64,304,324.67
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	217,878.50
Capital Appropriations	7,940,875.97
Capital Grants and Gifts	528,833.17
Proceeds from Sale of Capital Assets	2,510,236.30
Purchases of Capital Assets	(9,791,367.32)
Principal Paid on Capital Debt and Leases	(864,477.62)
Interest Paid on Capital Debt and Leases	(400,342.56)
	141,636.44
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	554,127.54
	554,127.54
Net Increase in Cash and Cash Equivalents	2,835,978.90
Cash and Cash Equivalents, Beginning of Year	18,159,161.11
Cash and Cash Equivalents, End of Year	\$ 20,995,140.01

**HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2005**

	College
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (66,145,391.98)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,461,480.05
Changes in Assets and Liabilities:	
Receivables, Net	335,259.29
Inventories	167,613.24
Other Assets	(137,440.99)
Accounts Payable	(869,139.25)
Deferred Revenue	5,025.00
Deposits Held for Others	397,928.84
Compensated Absences	(381,860.97)
Loans to Students and Employees	2,417.02
NET CASH USED BY OPERATING ACTIVITIES	\$ (62,164,109.75)

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, 2005

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.

Component Unit. 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 on the application of these criteria, 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 annual financial statements for the fiscal year ended June 30, 2005.

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 colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

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 entity-wide 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 (presented using the direct method in compliance with GASB Statement No. 9)
 - 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 prescribed for not-for-profit organizations.

Interdepartmental transactions of auxiliary service 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 include all fiscal transactions 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, and capital asset funding. Interest on capital asset-related debt is considered a nonoperating expense.

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

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

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 by 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.

Cash and Cash Equivalents. The amount reported as cash consists of cash on hand, cash in demand accounts, and cash with escrow agent. 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 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.

The College had investments totaling \$16,193,903 at June 30, 2005, 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 pool are reported at fair value. 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

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

credit risk. The investment pool was not rated by a nationally recognized statistical rating agency as of June 30, 2005.

Capital Assets. College capital assets consist of land; buildings; other structures and improvements; furniture, machinery, and equipment; leasehold improvements; assets under capital leases; 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 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 Lease – 2 to 6 years

2. REPORTING CHANGES

In prior years, moneys received for Federal student financial aid relating to Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs were reported as operating revenues on the statement of revenues, expenses, and changes in net assets. However, pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, moneys received under these programs represent nonexchange transactions that should be reported as nonoperating revenues. Accordingly, for the 2004-05 fiscal year, the College began reporting moneys received under these programs as nonoperating revenues on the statement of revenues, expenses, and changes in net assets.

**HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005**

3. 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 Government; 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, includes bonds, notes, commercial paper, and various other types of investments.

The College reported investments totaling \$86,036 at June 30, 2005. These investments are in the State Board of Administration debt service accounts and are administered by the State Board of Education to provide for 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 has no policy for managing interest rate risk or credit risk for this account, but relies on policies developed by the State Board of Administration. 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, 2005, are reported at fair value as follows:

<u>Investment Type</u>	<u>Component Unit</u>
U.S. Government Obligations	\$ 268,876
Bonds and Notes	521,952
Stocks and Other Equity Securities	1,628,490
Money Market and Mutual Funds	<u>316,218</u>
Total Component Unit Investments	<u><u>\$ 2,735,536</u></u>

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

4. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and grant reimbursements due from third parties. These receivables are reported net of a \$920,524 allowance for uncollectible accounts.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$32,298,026 of Public Education Capital Outlay allocations due from the State to the College for construction of College facilities.

6. NOTES RECEIVABLE

Notes receivable represent student loans made under the Federal Perkins Loan Program of \$3,928 and short-term loan program of \$16,914. Notes receivable are reported net of a \$7,930 allowance for uncollectible notes.

7. 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.

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, is shown below:

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 19,268,231	\$	\$ 14,417	\$ 19,253,814
Construction in Progress	3,803,460	9,875,857	2,994,224	10,685,093
Total Nondepreciable Capital Assets	\$ 23,071,691	\$ 9,875,857	\$ 3,008,641	\$ 29,938,907
Depreciable Capital Assets:				
Buildings	\$ 132,968,214	\$ 2,994,224	\$	\$ 135,962,438
Other Structures and Improvements	5,344,196			5,344,196
Furniture, Machinery, and Equipment	8,429,491	283,357	1,026,828	7,686,020
Capital Leases		228,107		228,107
Leasehold Improvements	6,376,319			6,376,319
Total Depreciable Capital Assets	153,118,220	3,505,688	1,026,828	155,597,080
Less, Accumulated Depreciation:				
Buildings	43,125,020	3,552,687		46,677,707
Other Structures and Improvements	3,946,664	222,919		4,169,583
Furniture, Machinery, and Equipment	7,575,370	442,095	1,026,828	6,990,637
Capital Leases		92,259		92,259
Leasehold Improvements	451,216	151,521		602,737
Total Accumulated Depreciation	55,098,270	4,461,481	1,026,828	58,532,923
Total Depreciable Capital Assets, Net	\$ 98,019,950	\$ (955,793)	\$	\$ 97,064,157

9. LONG-TERM LIABILITIES

Long-term liabilities of the College include bonds, notes, capital leases, and compensated absences. Long-term liabilities activity for the fiscal year ended June 30, 2005, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 3,960,000	\$	\$ 175,000	\$ 3,785,000	\$ 185,000
Notes Payable	5,025,212		651,110	4,374,102	680,214
Capital Leases Payable		217,879	38,368	179,511	72,617
Compensated Absences Payable	4,788,952	329,280	711,141	4,407,091	700,000
Total Long-Term Liabilities	\$ 13,774,164	\$ 547,159	\$ 1,575,619	\$ 12,745,704	\$ 1,637,831

Bonds Payable. The State Board of Education issued State Board of Education Capital Outlay Bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The State Board of Administration administers the principal and interest payments, investment of Retirement of Indebtedness

**HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005**

Fund resources, and compliance with reserve requirements. The College had the following bonds payable outstanding at June 30, 2005:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds: Series 1999-A	<u>\$ 3,785,000</u>	4.0 - 4.75	2019

Annual requirements to amortize all bonded debt outstanding as of June 30, 2005, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2006	\$ 185,000	\$ 171,263	\$ 356,263
2007	195,000	163,863	358,863
2008	205,000	156,063	361,063
2009	215,000	147,863	362,863
2010	230,000	138,994	368,994
2011-2015	1,355,000	528,875	1,883,875
2016-2020	1,400,000	171,000	1,571,000
Total	\$ 3,785,000	\$ 1,477,921	\$ 5,262,921

Notes Payable. The College had the following notes payable outstanding at June 30, 2005:

Wachovia Bank (formerly First Union National Bank). The College borrowed \$1,500,000, from Wachovia Bank, with the proceeds delivered to the College on January 25, 1999. The proceeds were used to purchase and renovate real property, which includes land and a building (referred to as the Capitano Building) located adjacent to the College’s Ybor Campus. The promissory note included provisions for scheduled semiannual installments of principal and interest on July 25 and January 25 of each year, commencing on July 25, 1999, and ending on January 25, 2009.

The note was issued under the authority of Chapter 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 January 20, 1999. The note is declared to be a special, limited obligation of the College, the payment of principal and interest on which are payable solely from the pledged assets, defined as all revenues of the College derived from the capital improvement fees collected by the College pursuant to Sections 1009.23(11) and 1009.22(6), Florida Statutes. The balance of this note at June 30, 2005, was \$678,076.

HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

The College borrowed \$1,625,565 from Wachovia Bank, with the proceeds delivered to the College on March 30, 2001. The proceeds were used to purchase real property, which includes land and a building (referred to as the Borden Property) located adjacent to the College's Dale Mabry Campus. The promissory note included provisions for scheduled monthly installments of principal and interest commencing on May 1, 2001, and ending April 1, 2016.

The note was issued under the authority of Chapter 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 29, 2001. The note is declared to be a special, limited obligation of the College, the payment of principal and interest on which are payable solely from the pledged assets, defined as all revenues of the College derived from the capital improvement fees collected by the College pursuant to Sections 1009.23(11) and 1009.22(6), Florida Statutes. The balance of this note at June 30, 2005, was \$1,276,598.

Sun Trust Bank. 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 Chapter 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, 2005, was \$805,275.

Crestar Leasing Corporation. The College borrowed \$3,558,277 from the Crestar Leasing Corporation. The proceeds were used to purchase and install energy management equipment, including cooling tower cells, water pumps, electrical equipment and chillers which were installed on the Dale Mabry Campus. The promissory note included provisions for scheduled semiannual installments of principal and interest on July 9 and January 9 of each year, commencing on July 9, 1999, and ending January 9, 2009.

The note was issued under the authority of Sections 1013.23 and 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 February 17, 1999. The balance of this note at June 30, 2005, was \$1,614,153.

**HILLSBOROUGH COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005**

Annual requirements to amortize all notes payable outstanding as of June 30, 2005, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 680,214	\$ 183,256	\$ 863,470
2007	711,241	152,213	863,454
2008	743,688	119,749	863,437
2009	777,349	85,799	863,148
2010	171,960	57,580	229,540
2011-2016	1,172,268	117,392	1,289,660
2017-2021	117,382	4,405	121,787
Total	<u>\$ 4,374,102</u>	<u>\$ 720,394</u>	<u>\$ 5,094,496</u>

Capital Leases Payable. Vehicles and medical equipment in the amount of \$228,107 are being acquired under capital lease agreements. The stated and imputed interest rates ranged from 8.50 to 21.9 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2005, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2006	\$ 85,108
2007	69,216
2008	31,381
2009	20,235
2010	988
Total Minimum Payments	206,928
Less, Amount Representing Interest	<u>(27,417)</u>
Present Value of Minimum Payments	<u>\$ 179,511</u>

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 from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. Consequently, the recording of a liability for compensated absences without the corresponding recognition of such future resources, results in the appearance of a reduced ability to meet current obligations. At June 30, 2005, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$4,407,091. Of this amount, \$700,000 is considered the current portion of the compensated absences liability as this is

HILLSBOROUGH COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

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

10. STATE RETIREMENT PROGRAMS

Florida Retirement System. Most employees working in regularly established positions of the College are covered by the Florida Retirement System, a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan 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 plan eligibility, contributions, and benefits are defined and described in detail. Participating employers include all State departments, counties, district school boards, community colleges, and universities. Many municipalities and special districts have elected to be participating employers. Essentially, all regular employees of participating employers are eligible to enroll as members of the Plan.

The Florida Legislature has reduced the vesting period of the Plan from 10 to 6 years of service effective July 1, 2001. Any member employed in a regularly established position as of July 1, 2001, with a total of 6 or more years of creditable service is considered vested. Former members who were not employed with a participating Plan employer on July 1, 2001, must return to covered employment for one year to become eligible for the six-year vesting provision. An exception to this one-year requirement applies to former members who are within one year of vesting under the pre-2001 vesting requirements. These members will only be required to work the lesser of one year or the amount of time it would have taken to vest in their class of membership prior to July 1, 2001. 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 Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

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 a Florida Retirement System employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue

**HILLSBOROUGH COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005**

interest. Upon termination of employment, the participant receives the total DROP benefits and begins to receive previously determined retirement benefits.

The Plan's financial statements and other supplemental information 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 Plan, which includes its financial statements, required supplemental information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

The State of Florida establishes contribution rates for Plan members. Contribution rates during the 2004-05 fiscal year are presented below:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.39
Florida Retirement System, Senior Management Service	0.00	9.37
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	9.11
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include .08 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 in the Plan 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 to the Plan (including employee contributions) for the fiscal years ended June 30, 2003, June 30, 2004, and June 30, 2005, totaled \$1,871,593, \$2,330,096, and \$2,298,433, respectively, which were equal to the required contributions for each fiscal year.

State Community College System Optional Retirement Program. Pursuant to Section 1012.875, Florida Statutes, the Florida Legislature created 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 Florida Retirement System for six or more years.

HILLSBOROUGH COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

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 Florida Retirement System, 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. A small amount remains in the Optional Retirement Program Trust Fund for 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 salary reduction, an amount not to exceed the percentage contributed by the community college to the participant's annuity account.

There were 87 College participants during the 2004-05 fiscal year. Required employer contributions made to the Program totaled \$484,139.

Public Employee Optional Retirement Program. Pursuant to Section 121.4501, Florida Statutes, the Florida Legislature created a Public Employee Optional Retirement Program (PEORP), also known as the Florida Retirement System (FRS) Investment Program. The PEORP is a defined contribution plan, sponsored by the State of Florida, available as an option to the FRS defined contribution plan, and is self-directed by the employee. College employees already participating in the State Community College System Optional Retirement Program or the DROP are not eligible to participate in this program. A retirement account is established for each employee who selects this option and an employer contribution is directed to the individual account. The employees have the responsibility of selecting how their funds are invested within the approved set of investment choices and may take their funds when they leave the FRS.

There were 142 College participants during the 2004-05 fiscal year. Required contributions made to the PEORP totaled \$273,385.

11. POST-EMPLOYMENT BENEFITS

Pursuant to Section 112.0801, Florida Statutes, the College receives payment from retired former employees for health care, dental care, and life insurance benefits. All of the College's employees may become eligible for those benefits if they reach normal retirement age and have their last ten years of service with the College. At June 30, 2005, the College provided benefits to 9 retired former employees and recognized the cost of the benefits as an expense each month as premiums were paid. For the 2004-05 fiscal year, premiums totaled \$46,441.

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12. CONSTRUCTION COMMITMENTS

The College’s major construction commitments at June 30, 2005, are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Brandon Student Services Building Remodel and Renovation:			
Architect	\$ 742,926	\$ 588,555	\$ 154,371
General Contractor	5,929,632	2,699,399	3,230,233
Brandon Administration Building Addition and Remodel:			
Architect	170,446	147,285	23,161
General Contractor	2,064,150	649,763	1,414,387
Plant City Multipurpose Facility:			
Architect	492,010	424,314	67,696
General Contractor	6,617,801	3,122,002	3,495,799
Total	<u>\$ 16,016,965</u>	<u>\$ 7,631,318</u>	<u>\$ 8,385,647</u>

13. OPERATING LEASE COMMITMENTS

The College leased building space, vehicles, copy machines, and electrical transformers under several operating leases, which expire in 2016. These leased assets and the related commitments are not reported on the College’s statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for non-cancelable operating leases with remaining terms in excess of one year as of June 30, 2005, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2006	\$ 402,695
2007	354,123
2008	213,012
2009	29,069
2010	29,069
2011-2016	96,907
Total Minimum Payments Required	<u>\$ 1,124,875</u>

14. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these

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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 State-wide 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. 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.

15. 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 Sections 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 Community College Program Fund in the current year plus the related student matriculation and tuition 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 shall be determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates shall be 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:

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<u>Source</u>	<u>Amount</u>
Community College Program Fund	\$ 40,278,675
Gross Receipts Tax (Public Education Capital Outlay)	17,791,215
Education Enhancement Trust Fund (Lottery)	4,733,737
Motor Vehicle License Tax (Capital Outlay and Debt Service)	570,000
Restricted Contracts and Grants	443,564
Performance Based Incentives	400,864
Interest on Investments	7,991
Total	\$ 64,226,046

16. FUNCTIONAL DISTRIBUTION OF EXPENSES

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 37,829,228
Public Services	2,930,561
Academic Support	3,896,168
Student Services	10,193,836
Institutional Support	14,476,085
Physical Plant Operation and Maintenance	11,876,832
Student Aid	11,128,294
Auxiliary Operations	4,937,138
Depreciation Expenses	4,461,480
Total Operating Expenses	\$ 101,729,622

17. CURRENT UNRESTRICTED FUNDS

The Southern Association of Colleges and Schools, Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in

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unrestricted net assets. To meet this requirement, statements of net assets and revenues, expenses, and changes in net assets for the current unrestricted fund are presented as follows:

Statement of Current Unrestricted Net Assets

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 9,408,657.41
Accounts Receivable, Net	3,289,915.85
Inventories	937,721.10
Prepaid Expenses	<u>1,134,525.81</u>

Total Assets	<u>14,770,820.17</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	1,297,861.47
Salaries and Payroll Taxes Payable	2,621,126.22
Deferred Revenue	5,025.00
Deposits Held for Others	1,186.94
Compensated Absences Payable	<u>700,000.00</u>

Total Current Liabilities	<u>4,625,199.63</u>
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Noncurrent Liabilities:

Compensated Absences Payable	<u>3,707,091.00</u>
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Total Noncurrent Liabilities	<u>3,707,091.00</u>
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Total Liabilities	<u>8,332,290.63</u>
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TOTAL NET ASSETS	<u><u>\$ 6,438,529.54</u></u>
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**Current Unrestricted Revenues, Expenses, and
 Changes in Net Assets**

REVENUES

Operating Revenues:

Student Tuition and Fees, Net of Scholarship	
Allowances of \$7,553,867.83	\$ 20,762,636.53
Federal Grants and Contracts	249,517.85
Sales and Services of Educational Departments	316,158.55
Auxiliary Enterprises	4,692,772.69
Other Operating Revenue	<u>1,079,712.63</u>

Total Operating Income 27,100,798.25

EXPENSES

Operating Expenses:

Personnel Services	51,457,408.05
Scholarships and Waivers	188,578.12
Utilities and Communications	3,728,363.97
Contractual Services	8,350,090.04
Other Services and Expenses	6,533,212.39
Materials and Supplies	<u>7,598,810.87</u>

Total Operating Expenses 77,856,463.44

Operating Loss (50,755,665.19)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	45,421,826.00
Investment Income	252,758.35
Purchases of Capital Assets	<u>(296,046.62)</u>

Net Nonoperating Revenues 45,378,537.73

Loss Before Transfers (5,377,127.46)

Transfers To/From Other Funds, Net 7,924,345.14

Increase in Nets Assets 2,547,217.68

Net Assets, Beginning of Year 3,891,311.86

Net Assets, End of Year \$ 6,438,529.54