

# HILLSBOROUGH COMMUNITY COLLEGE

---

## Financial Audit

For the Fiscal Year Ended  
June 30, 2013



STATE OF FLORIDA  
AUDITOR GENERAL  
DAVID W. MARTIN, CPA

## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2012-13 fiscal year are listed below:

Andrew V. Pittman, Chair from 5-30-13,  
Vice Chair from 8-22-12 to 5-29-13 (1)  
Randall H. Reid, Chair to 8-21-12  
Nancy H. Watkins, Chair from 8-22-12 to 5-29-13,  
Vice Chair to 8-21-12  
MarDee H. Buchman  
James T. Burt II

Dr. Kenneth H. Atwater, President

Note: (1) Vice Chair position remained vacant from May 30, 2013,  
through June 30, 2013.

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

The audit team leader was Eric Davis, CPA, and the audit was supervised by Janice Priolo, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://www.myflorida.com/audgen); by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

HILLSBOROUGH COMMUNITY COLLEGE  
TABLE OF CONTENTS

|   | PAGE<br>NO. |
|---|-------------|
| EXECUTIVE SUMMARY .....   | i           |
| INDEPENDENT AUDITOR'S REPORT .....  | 1           |
| Report on the Financial Statements .....  | 1           |
| Other Reporting Required by <i>Government Auditing Standards</i> .....  | 2           |
| MANAGEMENT'S DISCUSSION AND ANALYSIS.....   | 3           |
| <b>BASIC FINANCIAL STATEMENTS</b>   |             |
| Statement of Net Position .....   | 11          |
| Statement of Revenues, Expenses, and Changes in Net Position.....   | 13          |
| Statement of Cash Flows .....   | 14          |
| Notes to Financial Statements .....   | 16          |
| <b>OTHER REQUIRED SUPPLEMENTARY INFORMATION</b>   |             |
| Schedule of Funding Progress – Other Postemployment Benefits Plan .....   | 33          |
| Notes to Required Supplementary Information .....   | 34          |
| <b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER<br/>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS<br/>BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED<br/>IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>.....</b> |             |
| Report on the Financial Statements .....  | 35          |
| Internal Control Over Financial Reporting.....  | 35          |
| Compliance and Other Matters.....   | 36          |
| Purpose of this Report.....   | 36          |

---

---

## EXECUTIVE SUMMARY

---

---

### Summary of Report on Financial Statements

Our audit disclosed that the College's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

### Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Audit Objectives and Scope

Our audit objectives were to determine whether Hillsborough Community College and its officers with administrative and stewardship responsibilities for College operations had:

- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2013. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2014-034.

### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722  
FAX: 850-488-6975

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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 has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

#### *Required Supplementary Information*

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

### **Other Reporting Required by *Government Auditing Standards***

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

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
March 24, 2014

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2013, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College and its component unit, the Hillsborough Community College Foundation, Inc., for the fiscal years ended June 30, 2013, and June 30, 2012.

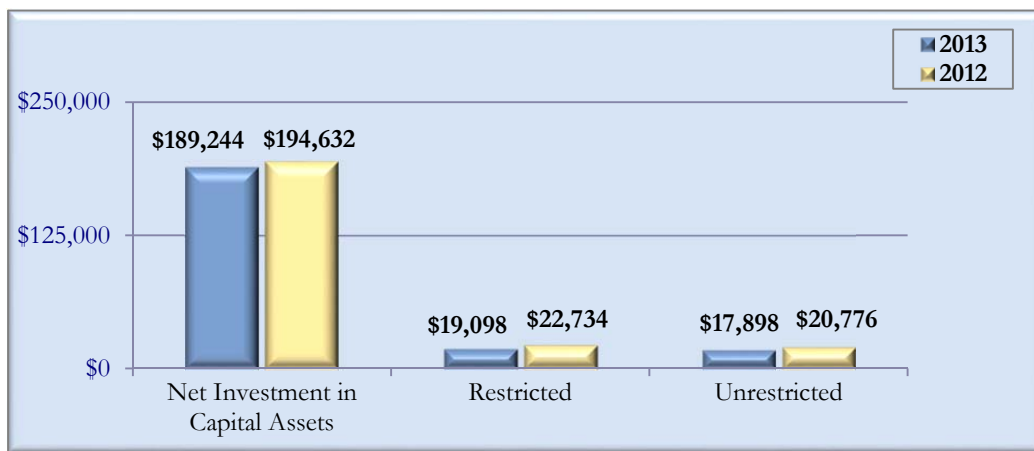
**FINANCIAL HIGHLIGHTS**

The College’s assets totaled \$239.2 million at June 30, 2013. This balance reflects a \$12.8 million, or 5.1 percent, decrease as compared to the 2011-12 fiscal year, resulting primarily from a \$8.6 million decrease in cash and cash equivalents, a \$1.4 million decrease in accounts receivable, a \$1.8 million decrease in the amount due from other governmental agencies, a \$5.6 million decrease in capital assets, net, and partially offset by a \$4.9 million increase in investments. Liabilities decreased by \$0.9 million, or 6.3 percent, totaling \$12.9 million at June 30, 2013, compared to \$13.8 million at June 30, 2012. As a result, the College’s net position decreased by \$11.9 million, resulting in a year-end balance of \$226.2 million.

The College’s operating revenues totaled \$64 million for the 2012-13 fiscal year, representing a 6.3 percent increase as compared to the 2011-12 fiscal year due mainly to a \$4.7 million increase in net student tuition and fees. Net student tuition and fees increased primarily due to an increase in tuition rates and a \$6.7 million decrease in scholarship allowances. Operating expenses totaled \$187 million for the 2012-13 fiscal year, representing an increase of 1.6 percent as compared to the 2011-12 fiscal year due mainly to increases in costs for scholarships and waivers, other services and expenses, and partially offset by a decrease in costs for material and supplies.

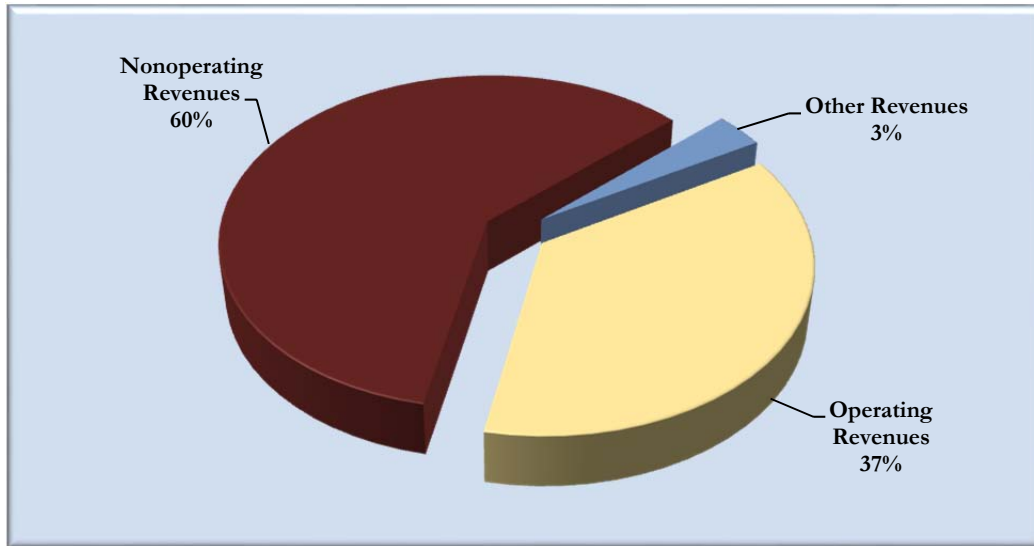
Net position represents the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net position by category for the fiscal years ended June 30, 2013, and 2012, is shown in the following graph:

**Net Position: College  
(In Thousands)**



The following chart provides a graphical presentation of College revenues by category for the 2012-13 fiscal year:

**Total Revenues: College**



**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 position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College’s finances, and include activities for the following entities:

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

**THE STATEMENT OF NET POSITION**

The statement of net position reflects the assets and liabilities of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. Assets less liabilities equals net position, which is one indicator of the College’s current financial condition. The changes in net position that occurs over time indicate improvement or deterioration in the College’s financial condition.

A condensed statement of assets, liabilities, and net position of the College and its component unit as of June 30, 2013, and June 30, 2012, is shown in the following table:

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

|                                  | College          |                  | Component Unit  |                 |
|----------------------------------|------------------|------------------|-----------------|-----------------|
|                                  | 6-30-13          | 6-30-12          | 6-30-13         | 6-30-12         |
| <b>Assets</b>                    |                  |                  |                 |                 |
| Current Assets                   | \$ 33,115        | \$ 43,440        | \$ 675          | \$ 3,059        |
| Capital Assets, Net              | 191,074          | 196,717          | 13,530          | 14,225          |
| Other Noncurrent Assets          | 14,979           | 11,778           | 9,035           | 6,484           |
| <b>Total Assets</b>              | <u>239,168</u>   | <u>251,935</u>   | <u>23,240</u>   | <u>23,768</u>   |
| <b>Liabilities</b>               |                  |                  |                 |                 |
| Current Liabilities              | 7,361            | 8,314            | 1,380           | 1,554           |
| Noncurrent Liabilities           | 5,567            | 5,479            | 17,312          | 18,338          |
| <b>Total Liabilities</b>         | <u>12,928</u>    | <u>13,793</u>    | <u>18,692</u>   | <u>19,892</u>   |
| <b>Net Position</b>              |                  |                  |                 |                 |
| Net Investment in Capital Assets | 189,244          | 194,632          | (3,275)         | (3,050)         |
| Restricted                       | 19,098           | 22,734           | 6,197           | 6,029           |
| Unrestricted                     | 17,898           | 20,776           | 1,626           | 897             |
| <b>Total Net Position</b>        | <u>\$226,240</u> | <u>\$238,142</u> | <u>\$ 4,548</u> | <u>\$ 3,876</u> |

**THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The statement of revenues, expenses, and changes in net position presents the College's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the activities of the College and its component unit for the 2012-13 and 2011-12 fiscal years:

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

|  | College           |                   | Component Unit  |                 |
|--|-------------------|-------------------|-----------------|-----------------|
|  | 6-30-13           | 6-30-12           | 6-30-13         | 6-30-12         |
| Operating Revenues   | \$ 63,955         | \$ 60,157         | \$ 4,299        | \$ 4,307        |
| Less, Operating Expenses   | 186,965           | 184,049           | 5,401           | 6,123           |
| <b>Operating Loss</b>  | (123,010)         | (123,892)         | (1,102)         | (1,816)         |
| Net Nonoperating Revenues  | 105,262           | 111,293           | 1,774           | 521             |
| <b>Income (Loss) Before Other Revenues,<br/>Expenses, Gains, or Losses</b> | (17,748)          | (12,599)          | 672             | (1,295)         |
| Other Revenues   | 5,846             | 6,375             |                 |                 |
| <b>Net Increase (Decrease) In Net Position</b>                             | (11,902)          | (6,224)           | 672             | (1,295)         |
| Net Position, Beginning of Year  | 238,142           | 244,366           | 3,876           | 5,171           |
| <b>Net Position, End of Year</b>   | <u>\$ 226,240</u> | <u>\$ 238,142</u> | <u>\$ 4,548</u> | <u>\$ 3,876</u> |

**Operating Revenues**

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

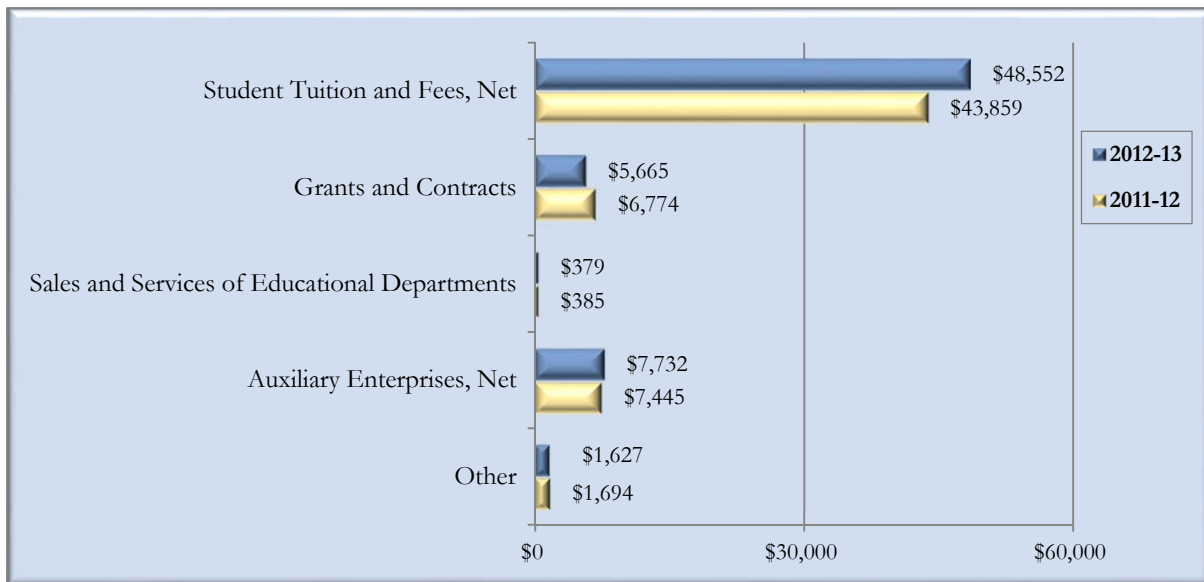
The following summarizes the operating revenues for the College and its component units by source that were used to fund operating activities for the 2012-13 and 2011-12 fiscal years:

**Operating Revenues  
For the Fiscal Years Ended  
(In Thousands)**

|   | College          |                  | Component Unit  |                 |
|---|------------------|------------------|-----------------|-----------------|
|   | 6-30-13          | 6-30-12          | 6-30-13         | 6-30-12         |
| Student Tuition and Fees, Net                 | \$ 48,552        | \$ 43,859        | \$              | \$              |
| Grants and Contracts                          | 5,665            | 6,774            | 1,200           | 1,141           |
| Sales and Services of Educational Departments | 379              | 385              |                 |                 |
| Auxiliary Enterprises, Net                    | 7,732            | 7,445            |                 |                 |
| Other   | 1,627            | 1,694            | 3,099           | 3,166           |
| <b>Total Operating Revenues</b>               | <b>\$ 63,955</b> | <b>\$ 60,157</b> | <b>\$ 4,299</b> | <b>\$ 4,307</b> |

The following chart presents the College’s operating revenues for the 2012-13 and 2011-12 fiscal years:

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



College operating revenue changes were primarily the result of net student and tuition fees increasing \$4.7 million due to an increase in tuition rates and a \$6.7 million decrease in scholarship allowances.

**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 position and has displayed the functional classification in the notes to financial statements.

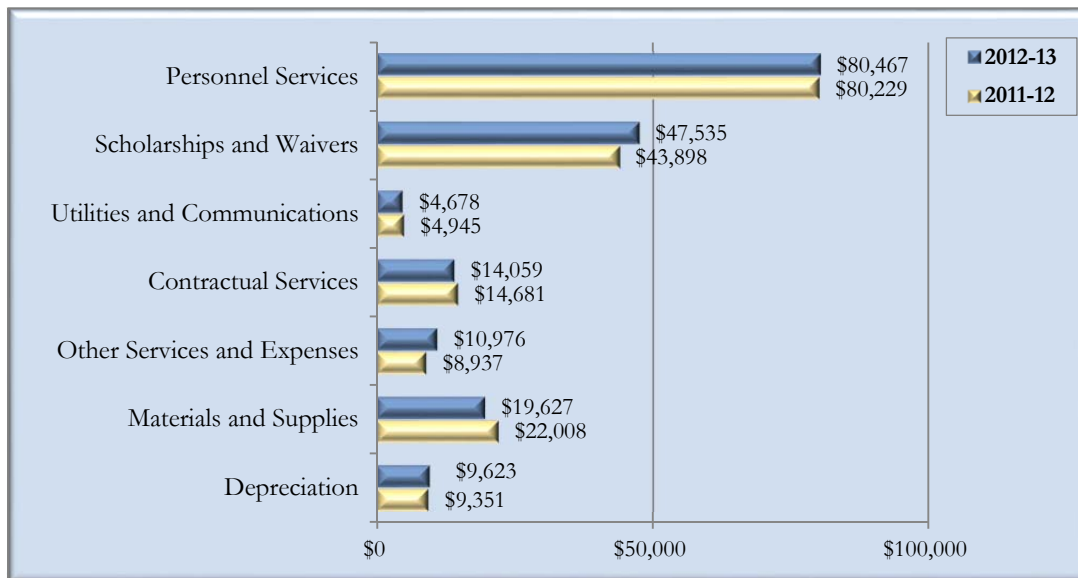
The following summarizes operating expenses by natural classification for the College and its component unit for the 2012-13 and 2011-12 fiscal years:

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

|                                 | College           |                   | Component Unit  |                 |
|---------------------------------|-------------------|-------------------|-----------------|-----------------|
|                                 | 6-30-13           | 6-30-12           | 6-30-13         | 6-30-12         |
| Personnel Services              | \$ 80,467         | \$ 80,229         | \$ 378          | \$              |
| Scholarships and Waivers        | 47,535            | 43,898            | 1,812           | 2,433           |
| Utilities and Communications    | 4,678             | 4,945             |                 |                 |
| Contractual Services            | 14,059            | 14,681            |                 |                 |
| Other Services and Expenses     | 10,976            | 8,937             | 2,401           | 2,820           |
| Materials and Supplies          | 19,627            | 22,008            |                 |                 |
| Depreciation                    | 9,623             | 9,351             | 810             | 870             |
| <b>Total Operating Expenses</b> | <b>\$ 186,965</b> | <b>\$ 184,049</b> | <b>\$ 5,401</b> | <b>\$ 6,123</b> |

The following chart presents the College’s operating expenses for the 2012-13 and 2011-12 fiscal years:

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



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

- Scholarships and waivers increased \$3.6 million primarily as a result of a decrease in scholarship allowances issued during the year because of decreased student enrollment and a decrease in student financial aid received during the year.
- Other services and expenses increased \$2 million as a result of increase in repairs, maintenance, and leasing of new computer equipment during the year.
- Materials and supplies decreased \$2.4 million primarily due decreases in purchases of noncapitalized equipment for information technology and minor renovation projects.

### Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, 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 2012-13 and 2011-12 fiscal years:

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

|   | <u>2012-13</u>           | <u>2011-12</u>           |
|---|--------------------------|--------------------------|
| State Noncapital Appropriations         | \$ 48,609                | \$ 48,685                |
| Federal and State Student Financial Aid | 56,584                   | 62,569                   |
| Investment Income                       | 156                      | 133                      |
| Other Nonoperating Revenues             | 15                       | 17                       |
| Interest on Capital Asset-Related Debt  | <u>(102)</u>             | <u>(111)</u>             |
| <b>Net Nonoperating Revenues</b>        | <b><u>\$ 105,262</u></b> | <b><u>\$ 111,293</u></b> |

Federal and State student financial aid decreased \$6 million primarily due to fewer students receiving financial aid during the 2012-13 fiscal year.

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

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2012-13 and 2011-12 fiscal years:

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

|  | <u>2012-13</u>         | <u>2011-12</u>         |
|--|------------------------|------------------------|
| State Capital Appropriations               | \$ 1,033               | \$ 1,886               |
| Capital Grants, Contracts, Gifts, and Fees | <u>4,813</u>           | <u>4,489</u>           |
| <b>Total</b>                               | <b><u>\$ 5,846</u></b> | <b><u>\$ 6,375</u></b> |

### THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections. 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.

The following summarizes the College's cash flows for the 2012-13 and 2011-12 fiscal years:

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

|  | 2012-13          | 2011-12          |
|--|------------------|------------------|
| Cash Provided (Used) by:                         |                  |                  |
| Operating Activities                             | \$ (110,794)     | \$ (116,832)     |
| Noncapital Financing Activities                  | 105,208          | 112,268          |
| Capital and Related Financing Activities         | 1,824            | 1,310            |
| Investing Activities                             | (4,823)          | 173              |
| <b>Net Decrease in Cash and Cash Equivalents</b> | <b>(8,585)</b>   | <b>(3,081)</b>   |
| Cash and Cash Equivalents, Beginning of Year     | 35,830           | 38,911           |
| <b>Cash and Cash Equivalents, End of Year</b>    | <b>\$ 27,245</b> | <b>\$ 35,830</b> |

Major sources of funds came from Federal and State student financial aid (\$56.7), Federal direct student loan program receipts (\$54.1 million), student tuition and fees, net (\$50.3 million), State noncapital appropriations (\$48.6 million), net auxiliary enterprises receipts (\$7.4 million), grants and contracts (\$6.7 million), capital grants and gifts (\$4.8 million), and State capital appropriations (\$1.8 million). Major uses of funds were for payments to employees (\$80.1 million), disbursements to students for Federal direct student loans (\$54.1 million), payments for scholarships (\$47.5 million), payments to suppliers (\$44.2 million), purchases of investments (\$5 million), payments for utilities and communications (\$4.7 million), and purchases of capital assets (\$4.5 million).

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

- The \$6 million decrease in cash outflows from operating activities is primarily due to a \$8.8 million increase in cash flows from tuition and fees, net, offset by a \$3.6 million increase in scholarship payments.
- The \$7.1 million decrease in cash inflow from noncapital financing activities is primarily due to a \$6 million decrease in Federal and State student financial aid.
- The \$0.5 million increase in cash flows from capital and related financing activities is primarily due to \$8.3 million decrease in purchases of capital assets, offset by an \$8.1 million decrease in cash received from State capital appropriations.
- Cash used for investing activities increased by \$5 million due to the purchases of the certificates of deposits for \$4.5 million and Federal instrumentality obligations for \$0.5 million.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2013, the College had \$302.6 million in capital assets, less accumulated depreciation of \$111.5 million, for net capital assets of \$191.1 million. Depreciation charges for the current fiscal year totaled \$9.6 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

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

| <u>Capital Assets</u>               | <u>2013</u>             | <u>2012</u>             |
|-------------------------------------|-------------------------|-------------------------|
| Land                                | \$ 29,756               | \$ 29,666               |
| Construction in Progress            |                         | 6,731                   |
| Buildings                           | 150,515                 | 150,842                 |
| Other Structures and Improvements   | 3,685                   | 1,808                   |
| Furniture, Machinery, and Equipment | 2,557                   | 2,957                   |
| Leasehold Improvements              | <u>4,561</u>            | <u>4,713</u>            |
| <b>Capital Assets, Net</b>          | <b><u>\$191,074</u></b> | <b><u>\$196,717</u></b> |

**CAPITAL EXPENSES AND COMMITMENTS**

The College has \$1.2 million in construction commitments at June 30, 2013. The commitments are: the Dale Mabry Technical Building Renovation Project and the SouthShore New Science and Classroom Building project. The College’s major construction commitments at June 30, 2013, are as follows:

|                                      | <u>Amount<br/>(In Thousands)</u> |
|--------------------------------------|----------------------------------|
| Total Committed<br>Completed to Date | <u>\$ 1,184</u>                  |
| <b>Balance Committed</b>             | <b><u>\$ 1,184</u></b>           |

Additional information about the College’s construction commitments is presented in the notes to financial statements.

**DEBT ADMINISTRATION**

As of June 30, 2013, the College had \$1.8 million in State Board of Education (SBE) capital outlay bonds outstanding versus \$2.1 million at the end of the prior fiscal year, representing a decrease of 12.2 percent.

The SBE issues capital outlay bonds on behalf of the College. During the 2012-13 fiscal year, there were no bond sales and debt repayments totaled \$0.3 million. At June 30, 2013, the Hillsborough Community College Foundation, Inc., had \$16.8 million in student housing revenue bonds outstanding. The bonds were issued in December 2006 to fund construction of a 420-bed student housing facility.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The 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 2013-14 fiscal year. The College’s current financial and capital plans indicate that the financial resources from an increase in state funding as well as an increase in tuition rates or other sources will be necessary in the future to maintain its present level of services.

**REQUESTS FOR INFORMATION**

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

## BASIC FINANCIAL STATEMENTS

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET POSITION  
June 30, 2013**

|  | College            | Component<br>Unit |
|--|--------------------|-------------------|
| <b>ASSETS</b>                            |                    |                   |
| Current Assets:                          |                    |                   |
| Cash and Cash Equivalents                | \$ 12,942,566      | \$ 425,340        |
| Restricted Cash and Cash Equivalents     | 3,028,964          |                   |
| Investments                              | 1,499,672          |                   |
| Accounts Receivable, Net                 | 7,984,233          | 222,386           |
| Notes Receivable                         | 10,564             |                   |
| Due from Other Governmental Agencies     | 5,834,971          |                   |
| Due from Component Unit                  | 132,209            |                   |
| Inventories                              | 1,506,727          |                   |
| Prepaid Expenses                         | 154,579            | 27,875            |
| Other Assets                             | 20,600             |                   |
| <b>Total Current Assets</b>              | <b>33,115,085</b>  | <b>675,601</b>    |
| Noncurrent Assets:                       |                    |                   |
| Restricted Cash and Cash Equivalents     | 11,273,446         | 2,254,515         |
| Investments                              | 3,488,718          | 6,537,564         |
| Restricted Investments                   | 125,857            |                   |
| Notes Receivable                         | 91,013             |                   |
| Depreciable Capital Assets, Net          | 161,317,469        | 13,530,229        |
| Nondepreciable Capital Assets            | 29,756,180         |                   |
| Other Assets                             |                    | 242,845           |
| <b>Total Noncurrent Assets</b>           | <b>206,052,683</b> | <b>22,565,153</b> |
| <b>TOTAL ASSETS</b>                      | <b>239,167,768</b> | <b>23,240,754</b> |
| <b>LIABILITIES</b>                       |                    |                   |
| Current Liabilities:                     |                    |                   |
| Accounts Payable                         | 3,246,234          | 54,090            |
| Accrued Interest Payable                 |                    | 53,875            |
| Salary and Payroll Taxes Payable         | 2,840,686          |                   |
| Due to Other Governmental Agencies       | 11,563             |                   |
| Due to College                           |                    | 132,209           |
| Unearned Revenue                         | 58,988             | 40,006            |
| Deposits Held for Others                 | 543,097            |                   |
| Long-Term Liabilities - Current Portion: |                    |                   |
| Bonds Payable                            | 260,000            | 495,000           |
| Other Liabilities                        |                    | 605,319           |
| Compensated Absences Payable             | 400,000            |                   |
| <b>Total Current Liabilities</b>         | <b>7,360,568</b>   | <b>1,380,499</b>  |
| Noncurrent Liabilities:                  |                    |                   |
| Bonds Payable                            | 1,570,000          | 16,310,000        |
| Other Liabilities                        |                    | 1,001,936         |
| Compensated Absences Payable             | 3,093,102          |                   |
| Other Postemployment Benefits Payable    | 904,317            |                   |
| <b>Total Noncurrent Liabilities</b>      | <b>5,567,419</b>   | <b>17,311,936</b> |
| <b>TOTAL LIABILITIES</b>                 | <b>12,927,987</b>  | <b>18,692,435</b> |

**HILLSBOROUGH COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**June 30, 2013**

|                                  | College               | Component<br>Unit   |
|----------------------------------|-----------------------|---------------------|
| <b>NET POSITION</b>              |                       |                     |
| Net Investment in Capital Assets | \$ 189,243,649        | \$ (3,274,771)      |
| Restricted:                      |                       |                     |
| Nonexpendable:                   |                       |                     |
| Endowment                        |                       | 2,137,327           |
| Expendable:                      |                       |                     |
| Grants and Loans                 | 2,875,680             | 1,724,999           |
| Scholarships                     | 57,626                | 2,334,623           |
| Capital Projects                 | 16,143,580            |                     |
| Debt Service                     | 21,386                |                     |
| Unrestricted                     | 17,897,860            | 1,626,141           |
| <b>TOTAL NET POSITION</b>        | <b>\$ 226,239,781</b> | <b>\$ 4,548,319</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 REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2013**

|  | <u>College</u>        | <u>Component<br/>Unit</u> |
|--|-----------------------|---------------------------|
| <b>REVENUES</b>  |                       |                           |
| Operating Revenues:  |                       |                           |
| Student Tuition and Fees, Net of Scholarship                               |                       |                           |
| Allowances of \$15,190,137   | \$ 48,551,606         | \$                        |
| Federal Grants and Contracts   | 3,784,478             |                           |
| State and Local Grants and Contracts                                       | 191,102               |                           |
| Nongovernmental Grants and Contracts                                       | 1,690,068             | 1,200,342                 |
| Sales and Services of Educational Departments                              | 379,111               |                           |
| Auxiliary Enterprises, Net of Scholarship                                  |                       |                           |
| Allowances of \$1,025,961  | 7,731,553             |                           |
| Other Operating Revenues   | 1,626,654             | 3,099,425                 |
| <b>Total Operating Revenues</b>  | <u>63,954,572</u>     | <u>4,299,767</u>          |
| <b>EXPENSES</b>  |                       |                           |
| Operating Expenses:  |                       |                           |
| Personnel Services   | 80,466,939            | 377,704                   |
| Scholarships and Waivers   | 47,535,588            | 1,812,782                 |
| Utilities and Communications   | 4,677,642             |                           |
| Contractual Services   | 14,059,346            |                           |
| Other Services and Expenses  | 10,975,600            | 2,400,861                 |
| Materials and Supplies   | 19,627,154            |                           |
| Depreciation   | 9,622,876             | 810,088                   |
| <b>Total Operating Expenses</b>  | <u>186,965,145</u>    | <u>5,401,435</u>          |
| <b>Operating Loss</b>  | <u>(123,010,573)</u>  | <u>(1,101,668)</u>        |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                                    |                       |                           |
| State Noncapital Appropriations  | 48,608,742            | 83,899                    |
| Federal and State Student Financial Aid                                    | 56,583,907            |                           |
| Gifts and Grants   |                       | 380,866                   |
| Investment Income  | 124,843               | 160,573                   |
| Realized Gain on Investments   |                       | 87,282                    |
| Unrealized Gain on Investments   | 31,407                | 851,390                   |
| Other Nonoperating Revenues  | 14,886                | 210,000                   |
| Interest on Capital Asset-Related Debt                                     | (101,700)             |                           |
| <b>Net Nonoperating Revenues</b>   | <u>105,262,085</u>    | <u>1,774,010</u>          |
| <b>Income (Loss) Before Other Revenues,<br/>Expenses, Gains, or Losses</b> | <u>(17,748,488)</u>   | <u>672,342</u>            |
| State Capital Appropriations   | 1,033,742             |                           |
| Capital Grants, Contracts, Gifts, and Fees                                 | 4,812,860             |                           |
| <b>Total Other Revenues</b>  | <u>5,846,602</u>      |                           |
| <b>Increase (Decrease) in Net Position</b>                                 | (11,901,886)          | 672,342                   |
| Net Position, Beginning of Year  | 238,141,667           | 3,875,977                 |
| <b>Net Position, End of Year</b>   | <u>\$ 226,239,781</u> | <u>\$ 4,548,319</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 CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2013**

|   | <b>College</b>       |
|---|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                      |
| Tuition and Fees, Net   | \$ 50,292,370        |
| Grants and Contracts  | 6,657,044            |
| Payments to Suppliers   | (44,243,223)         |
| Payments for Utilities and Communications                       | (4,677,642)          |
| Payments to Employees   | (64,698,373)         |
| Payments for Employee Benefits                                  | (15,421,536)         |
| Payments for Scholarships                                       | (47,535,588)         |
| Auxiliary Enterprises, Net                                      | 7,393,465            |
| Sales and Service of Educational Departments                    | 379,111              |
| Other Operating Receipts  | 1,060,541            |
|   | <b>(110,793,831)</b> |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |                      |
| State Noncapital Appropriations                                 | 48,608,742           |
| Federal and State Student Financial Aid                         | 56,583,907           |
| Federal Direct Loan Program Receipts                            | 54,074,297           |
| Federal Direct Loan Program Disbursements                       | (54,073,448)         |
| Other Nonoperating Receipts                                     | 14,037               |
|   | <b>105,207,535</b>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                      |
| State Capital Appropriations                                    | 1,837,821            |
| Capital Grants and Gifts  | 4,812,860            |
| Purchases of Capital Assets                                     | (4,470,362)          |
| Principal Paid on Capital Debt and Leases                       | (255,000)            |
| Interest Paid on Capital Debt and Leases                        | (101,700)            |
|   | <b>1,823,619</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                      |
| Proceeds from Sales and Maturities of Investments               | 59,442               |
| Purchase of Investments   | (5,006,753)          |
| Investment Income   | 124,843              |
|   | <b>(4,822,468)</b>   |
| <b>Net Decrease in Cash and Cash Equivalents</b>                | <b>(8,585,145)</b>   |
| Cash and Cash Equivalents, Beginning of Year                    | 35,830,121           |
| <b>Cash and Cash Equivalents, End of Year</b>                   | <b>\$ 27,244,976</b> |

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS (CONTINUED)  
For the Fiscal Year Ended June 30, 2013**

|   | <b>College</b>   |
|---|------------------|
| <b>RECONCILIATION OF OPERATING LOSS</b>   |                  |
| <b>TO NET CASH USED BY OPERATING ACTIVITIES</b>   |                  |
| Operating Loss  | \$ (123,010,573) |
| Adjustments to Reconcile Operating Loss<br>to Net Cash Used by Operating Activities:  |                  |
| Depreciation Expense  | 9,622,876        |
| Changes in Assets and Liabilities:  |                  |
| Receivables, Net  | 2,665,039        |
| Inventories   | 86,124           |
| Other Assets  | (68,647)         |
| Accounts Payable  | 416,639          |
| Unearned Revenue  | 7,045            |
| Deposits Held for Others  | (906,762)        |
| Compensated Absences Payable  | 295,555          |
| Other Postemployment Benefits Payable   | 98,873           |
|   | \$ (110,793,831) |
| <b>NET CASH USED BY OPERATING ACTIVITIES</b>  |                  |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES</b>  |                  |
| Unrealized gains on investments were recognized on the statement of revenues,<br>expenses, and changes in net position, but are not cash transactions for the<br>statement of cash flows. | \$ 31,407        |

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, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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, 2013.

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

**Basis of Presentation.** The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options.

**HILLSBOROUGH COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

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 Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Other Required Supplementary Information

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

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

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

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

The statement of net position 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 position 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

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

At June 30, 2013, the College reported as cash equivalents \$19,399,470 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2013, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 40 days as of June 30, 2013. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

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

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

- Furniture, Machinery, and Equipment:
  - Computer Equipment – 3 years
  - Vehicles, Office Machines, and Educational Equipment – 5 years
  - Furniture – 7 years
  - Pianos – 10 years
- Leasehold Improvements – 40 years

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

**2. INVESTMENTS**

The College’s Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the State Board of Administration (SBA); interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College’s Board of Trustees as authorized by law. State Board of Education (SBE) Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments.

Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The College’s investments at June 30, 2013, are reported at fair value, as follows:

| Investment Type  | Amount              |
|--|---------------------|
| Certificates of Deposit  | \$ 4,495,335        |
| Federal Instrumentality Obligations                              | 493,055             |
| State Board of Administration Fund B<br>Surplus Funds Trust Fund | 104,471             |
| State Board of Administration Debt Service<br>Accounts           | 21,386              |
| <b>Total College Investments</b>                                 | <b>\$ 5,114,247</b> |

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**State Board of Administration Fund B Surplus Funds Trust Fund**

The Fund B Surplus Funds Trust Fund (Fund B) is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, and is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME investment pool, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B on December 4, 2007. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

At June 30, 2013, the College reported investments at fair value of \$104,471 in Fund B. The College's investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.11845939 at June 30, 2013. The weighted-average life (WAL) of Fund B at June 30, 2013, was 3.98 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2013. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

**State Board of Administration Debt Service Accounts**

The College reported investments totaling \$21,386 at June 30, 2013, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE 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 SBA for managing interest rate risk or credit risk for this account. Disclosures for the debt service accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

**Other Investments**

The College's other investments at June 30, 2013, consisted of certificates of deposit totaling \$4,495,335 and Federal instrumentality obligations totaling \$493,055. The following risks apply to these investments:

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy, as a means of mitigating this risk, suggests that investments maintain an average maturity of 18 months for internally managed investments and 36 months for externally managed investments. The policy however specifically limits the maximum average duration of the College's investment portfolio to be no greater than 120 percent of this target benchmark's average duration. Additionally the policy limits the maximum effective maturity of individual securities to five years and requires that no more than 20 percent of investments shall have maturities greater than 3 years and at least 10 percent of investments have maturities of one year or less. The tables shown below summarize the WAM of the College's total over investments at June 30, 2013:

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

| Investment Type                     | Investment Maturities (in years) |                     |                     |      |
|-------------------------------------|----------------------------------|---------------------|---------------------|------|
|                                     | Fair Value                       | Less than 1         | 1-5                 | WAM  |
| Certificates of Deposit             | \$ 4,495,335                     | \$ 1,750,920        | \$ 2,744,415        | 1.33 |
| Federal Instrumentality Obligations | 493,055                          |                     | 493,055             | 0.45 |
| <b>Total</b>                        | <b>\$ 4,988,390</b>              | <b>\$ 1,750,920</b> | <b>\$ 3,237,470</b> |      |

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality is evaluated by independent investment rating organizations such as Standard & Poor’s and Moody’s Investor Services. The lower the rating, the greater the risk that the bond issuer may default or fail to meet its payment obligations. The College’s investment policy limits money market instruments to securities rated A1/P1 or better, or Tier 1 or the equivalent as a minimum as defined by Standard & Poor’s or Moody’s and mortgage-backed pass-throughs guaranteed by the U.S. Government or a Federal agency. As of June 30, 2013, the College’s investment in Federal instrumentality obligations was rated AA+ by Standard & Poor’s, and Aaa by Moody’s.

*Custodial Credit Risk.* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The College’s investment policy addresses custodial credit risk in that all securities purchased by the College shall be properly designated as an asset of the District Board of Trustees of Hillsborough Community College and held in safe keeping by a third party custodial bank or other third party custodial institution. If a bank or trust company serves in the capacity of Investment Manager, said bank or trust company could also perform required custodial and reporting services. The College’s \$493,055 investment in Federal instrumentality obligations was uninsured and held by the investment’s counterparty, not in the name of the College.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The College’s investment policy does not limit the amount the College may invest in any one issuer; however, it does seek to diversify its portfolio by maintaining the fund as a short to medium term maturity portfolio. More than 5 percent of the College’s investments are in Federal instrumentality obligations. At June 30, 2013, these investments represented 9.64 percent of the College’s total investments.

**Component Unit Investments**

The College’s component unit reports investments totaling \$6,537,564 at June 30, 2013, mostly in open-end mutual funds and are reported at fair value.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$2,598,561 allowance for doubtful accounts.

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**4. NOTES RECEIVABLE**

Notes receivable represents a promissory note issued to the College by a Florida not-for-profit corporation dated September 30, 2011, for \$116,803. The interest rate on the note is 3.21 percent per annum on the unpaid principal balance from the date of the note through and including December 1, 2021. Monthly fixed payments of \$1,139 for principal and interest commenced on January 1, 2012, and are scheduled for 120 consecutive months. As of June 30, 2013, the outstanding balance is \$101,577.

**5. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$5,116,791 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

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

The \$132,209 reported as due from component unit by the College consists of amounts owed by the Foundation to the College as of June 30, 2013, for private grants awarded by the Foundation, but not paid to the College.

**7. INVENTORIES**

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

**8. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2013, is shown below:

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

| Description                                  | Beginning<br>Balance  | Additions           | Reductions          | Ending<br>Balance     |
|--|-----------------------|---------------------|---------------------|-----------------------|
| <b>Nondepreciable Capital Assets:</b>        |                       |                     |                     |                       |
| Land   | \$ 29,666,180         | \$ 90,000           | \$                  | \$ 29,756,180         |
| Construction in Progress                     | 6,731,153             | 2,817,463           | 9,548,616           |                       |
| <b>Total Nondepreciable Capital Assets</b>   | <b>\$ 36,397,333</b>  | <b>\$ 2,907,463</b> | <b>\$ 9,548,616</b> | <b>\$ 29,756,180</b>  |
| <b>Depreciable Capital Assets:</b>           |                       |                     |                     |                       |
| Buildings                                    | \$ 235,464,304        | \$ 7,105,886        | \$                  | \$ 242,570,190        |
| Other Structures and Improvements            | 7,693,693             | 2,352,731           |                     | 10,046,424            |
| Furniture, Machinery, and Equipment          | 13,128,301            | 1,162,469           | 476,022             | 13,814,748            |
| Leasehold Improvements                       | 6,376,319             |                     |                     | 6,376,319             |
| <b>Total Depreciable Capital Assets</b>      | <b>262,662,617</b>    | <b>10,621,086</b>   | <b>476,022</b>      | <b>272,807,681</b>    |
| <b>Less, Accumulated Depreciation:</b>       |                       |                     |                     |                       |
| Buildings                                    | 84,622,684            | 7,432,797           |                     | 92,055,481            |
| Other Structures and Improvements            | 5,885,978             | 475,623             |                     | 6,361,601             |
| Furniture, Machinery, and Equipment          | 10,171,309            | 1,562,935           | 476,022             | 11,258,222            |
| Leasehold Improvements                       | 1,663,387             | 151,521             |                     | 1,814,908             |
| <b>Total Accumulated Depreciation</b>        | <b>102,343,358</b>    | <b>9,622,876</b>    | <b>476,022</b>      | <b>111,490,212</b>    |
| <b>Total Depreciable Capital Assets, Net</b> | <b>\$ 160,319,259</b> | <b>\$ 998,210</b>   | <b>\$</b>           | <b>\$ 161,317,469</b> |

**9. UNEARNED REVENUE**

Unearned revenue includes student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2013, the College reported \$58,988 as unearned revenue.

**10. LONG-TERM LIABILITIES**

Long-term liabilities of the College at June 30, 2013, include bonds payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2013, is shown below:

| Description                              | Beginning<br>Balance | Additions         | Reductions        | Ending<br>Balance   | Current<br>Portion |
|--|----------------------|-------------------|-------------------|---------------------|--------------------|
| Bonds Payable                            | \$ 2,085,000         | \$                | \$ 255,000        | \$ 1,830,000        | \$ 260,000         |
| Compensated Absences Payable             | 3,143,547            | 744,870           | 395,315           | 3,493,102           | 400,000            |
| Other Postemployment<br>Benefits Payable | 805,444              | 205,472           | 106,599           | 904,317             |                    |
| <b>Total Long-Term Liabilities</b>       | <b>\$ 6,033,991</b>  | <b>\$ 950,342</b> | <b>\$ 756,914</b> | <b>\$ 6,227,419</b> | <b>\$ 660,000</b>  |

**Bonds Payable.** The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College’s portion of the State-assessed motor vehicle license tax and by the State’s full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2013:

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

| Bond Type                                 | Amount<br>Outstanding | Interest<br>Rates<br>(Percent) | Annual<br>Maturity<br>To |
|---|-----------------------|--------------------------------|--------------------------|
| SBE Capital Outlay Bonds:<br>Series 2009A | \$ 1,830,000          | 5                              | 2019                     |

Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

| Fiscal Year<br>Ending June 30 | SBE Capital Outlay Bonds |                   |                     |
|-------------------------------|--------------------------|-------------------|---------------------|
|                               | Principal                | Interest          | Total               |
| 2014                          | \$ 260,000               | \$ 91,500         | \$ 351,500          |
| 2015                          | 280,000                  | 78,500            | 358,500             |
| 2016                          | 295,000                  | 64,500            | 359,500             |
| 2017                          | 315,000                  | 49,750            | 364,750             |
| 2018                          | 330,000                  | 34,000            | 364,000             |
| 2019                          | 350,000                  | 17,500            | 367,500             |
| <b>Total</b>                  | <b>\$ 1,830,000</b>      | <b>\$ 335,750</b> | <b>\$ 2,165,750</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. Interest on the bonds is payable at a variable rate equal to the municipal swap index rate, which was 0.09 percent at June 30, 2013. In conjunction with the issuance of the bonds, the Foundation entered into an interest rate swap agreement to effectively fix the interest rate on the bonds at 3.59 percent. The bonds mature on December 1, 2033. The proceeds raised from the issuance of the bonds were used to construct a 420-bed student housing facility which serves as collateral for the bonds. The future scheduled maturities of the bonds are as follows:

| <u>Fiscal Year Ending June 30</u>      | <u>Amount</u>               |
|--|-----------------------------|
| 2014                                   | \$ 495,000                  |
| 2015                                   | 520,000                     |
| 2016                                   | 550,000                     |
| 2017                                   | 575,000                     |
| 2018                                   | 610,000                     |
| 2019-2033                              | <u>14,055,000</u>           |
| <b>Total Minimum Payments Required</b> | <b><u>\$ 16,805,000</u></b> |

In conjunction with the issuance of the bonds, the Foundation also entered into an \$18.6 million letter of credit agreement that serves as security for the bonds. The letter of credit was renewed with a different financial institution in October 2012 and matures in October 2015. There was no outstanding balance on the letter of credit at June 30, 2013. The letter of credit is subject to certain restrictive financial covenants that the Foundation must maintain with respect to debt service coverage. As of June 30, 2013, management believes the Foundation is in compliance with all covenants.

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

The Foundation pays an annual letter of credit fee based on a percentage of the outstanding balance on the bonds. That percentage was 0.88 percent as of June 30, 2013. During the continuance of any event of default, the applicable percentage is the relevant obligation rate plus 4 percent.

Upon certain circumstances, the interest rate may be converted to a fixed rate. As long as the bonds carry a variable interest rate, they can be redeemed at the option of the bondholders. The Foundation has entered into an agreement that provides for the remarketing, to the extent possible, of the bonds in the event of redemption. In the event remarketing is unsuccessful, the letter of credit will be drawn upon to pay the trustee. The letter of credit is due the earlier of its expiration date or 180 days from the date of the draw.

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

|  | Amount     |
|--|------------|
| Bond Underwriter's Discount<br>and Issue Costs | \$ 311,288 |
| Less, Accumulated Amortization                 | (68,443)   |
|  | \$ 242,845 |

**Interest Rate Swap Agreement – Component Unit**

On December 6, 2006, in conjunction with the issuance of the bonds, the Foundation entered into an interest rate swap agreement for the purpose of converting the bonds from adjustable interest rate debt to 3.59 percent fixed interest rate. The maturity date of the swap agreement is December 1, 2016, and after that date the bonds will return to a variable interest rate. The Foundation records the interest rate swap agreement at fair value.

The fair value of the swap agreement is the estimated amount the Foundation would pay to terminate the agreement at the reporting date. The fair value is estimated based on projected discounted cash flows, taking into consideration current interest rates and the current creditworthiness of the counterparties. The fair value of the Foundation's swap agreement at June 30, 2013, is negative \$1,607,255 and is included as a liability in the accompanying statements of financial position. The change in the fair value of the swap agreement was \$489,294 for the year ended June 30, 2013, and is included as an increase of revenues and support in the Foundation's statement of activities.

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2013, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$3,493,102. The current portion of the compensated absences liability, \$400,000, is the amount expected to be

**HILLSBOROUGH COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

paid in the coming fiscal year, and represents a historical average of terminal leave payments over the last five years.

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

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

*Funding Policy.* Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2012-13 fiscal year, 29 retirees received other postemployment healthcare benefits and 115 retirees received life insurance benefits. The College provided required contributions of \$106,599 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$245,604, which represents 0.6 percent of covered payroll.

*Annual OPEB Cost and Net OPEB Obligation.* The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the College's net OPEB obligation:

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

| Description   | Amount     |
|---|------------|
| Normal Cost (Service Cost for One Year)                 | \$ 142,254 |
| Amortization of Unfunded Actuarial<br>Accrued Liability | 57,848     |
| <b>Annual Required Contribution</b>                     | 200,102    |
| Interest on Net OPEB Obligation                         | 32,218     |
| Adjustment to Annual Required Contribution              | (26,848)   |
| <b>Annual OPEB Cost (Expense)</b>                       | 205,472    |
| Contribution Toward the OPEB Cost                       | (106,599)  |
| <b>Increase in Net OPEB Obligation</b>                  | 98,873     |
| Net OPEB Obligation, Beginning of Year                  | 805,444    |
| <b>Net OPEB Obligation, End of Year</b>                 | \$ 904,317 |

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2013, and for the two preceding fiscal years were as follows:

| Fiscal Year | Annual<br>OPEB Cost | Percentage of<br>Annual<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|-------------|---------------------|---|------------------------|
| 2010-11     | \$ 242,899          | 41.4%   | \$ 688,449             |
| 2011-12     | 204,692             | 42.8%   | 805,444                |
| 2012-13     | 205,472             | 51.9%   | 904,317                |

*Funded Status and Funding Progress.* As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$1,735,452, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,735,452 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$42,819,497 for the 2012-13 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.1 percent.

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

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

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2011, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2013, and the College's 2012-13 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, an inflation rate of 3 percent, and an annual healthcare cost trend rate of 9.5 percent pre-Medicare and 7.5 percent Medicare for the 2012-13 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 6 years pre-Medicare and 5 years Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2013, was 24 years.

## **11. RETIREMENT PROGRAMS**

**Florida Retirement System.** Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

| Class   | Percent of Gross Salary |                 |
|---|-------------------------|-----------------|
|   | Employee                | Employer<br>(A) |
| Florida Retirement System, Regular  | 3.00                    | 5.18            |
| Florida Retirement System, Senior Management Service  | 3.00                    | 6.30            |
| Deferred Retirement Option Program - Applicable to<br>Members from All of the Above Classes | 0.00                    | 5.44            |
| Florida Retirement System, Reemployed Retiree   | (B)                     | (B)             |

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions including employee contributions for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013, totaled \$3,984,826, \$2,281,759, and \$2,872,795, respectively, which were equal to the required contributions for each fiscal year.

There were 206 College participants in the Investment Plan during the 2012-13 fiscal year. The College’s contributions including employee contributions to the Investment Plan totaled \$917,449, which was equal to the required contribution for the 2012-13 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

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

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes, on behalf of the participant, 5.64 percent of the participant’s salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee’s salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant’s annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 103 College participants during the 2012-13 fiscal year. The College’s contributions to the Program totaled \$387,634 and employee contributions totaled \$205,607 for the 2012-13 fiscal year.

**12. CONSTRUCTION COMMITMENTS**

The College’s construction commitments at June 30, 2013, are as follows:

| Project Description                              | Total<br>Commitment | Completed<br>to Date | Balance<br>Committed |
|--|---------------------|----------------------|----------------------|
| Dale Mabry Technical Building<br>Renovation      | \$ 383,500          | \$                   | \$ 383,500           |
| SouthShore New Science and<br>Classroom Building | 800,820             |                      | 800,820              |
| <b>Total</b>                                     | <b>\$ 1,184,320</b> | <b>\$</b>            | <b>\$ 1,184,320</b>  |

**13. OPERATING LEASE COMMITMENTS**

The College leased vehicles, computers, and electrical transformers under operating leases, which expire in 2021. These leased assets and the related commitments are not reported on the College’s statement of net position. 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 these noncancelable operating leases are as follows:

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

| Fiscal Year Ending June 30             | Amount              |
|--|---------------------|
| 2014                                   | \$ 610,674          |
| 2015                                   | 580,721             |
| 2016                                   | 208,963             |
| 2017                                   | 80,758              |
| 2018                                   | 34,222              |
| 2019-2021                              | 27,604              |
| <b>Total Minimum Payments Required</b> | <b>\$ 1,542,942</b> |

**14. RISK MANAGEMENT PROGRAMS**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$90 million to February 28, 2013, and up to \$125 million from March 1, 2013. 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 commercial coverage in any of the past three fiscal years.

Health and hospitalization, life, dental, and long-term disability coverage are provided through purchased commercial insurance.

**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 position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

**HILLSBOROUGH COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

| <u>Functional Classification</u>   | <u>Amount</u>                |
|------------------------------------|------------------------------|
| Instruction                        | \$ 48,623,486                |
| Public Services                    | 2,280,049                    |
| Academic Support                   | 7,649,090                    |
| Student Services                   | 20,172,346                   |
| Institutional Support              | 24,144,231                   |
| Operation and Maintenance of Plant | 21,259,125                   |
| Scholarships and Waivers           | 46,012,852                   |
| Depreciation                       | 9,622,876                    |
| Auxiliary Enterprises              | <u>7,201,090</u>             |
| <b>Total Operating Expenses</b>    | <b><u>\$ 186,965,145</u></b> |

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

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>(1)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>[(b-a)/c] |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 7/1/2007                       | \$                                     | \$ 2,437,608  | \$ 2,437,608                       | 0%                       | \$ 39,174,207             | 6.2%  |
| 7/1/2009                       |  | 2,399,186   | 2,399,186                          | 0%                       | 55,213,729                | 4.3%  |
| 7/1/2011                       |  | 1,735,452   | 1,735,452                          | 0%                       | 42,651,654                | 4.1%  |

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

---

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

**1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**

The July 1, 2011, unfunded actuarial accrued liability of \$1,735,452 was significantly lower than the July 1, 2009, liability of \$2,399,186 as a result of:

- Demographic assumptions (rate of withdrawal, retirement, disability, and mortality) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of healthcare were updated, including a change to the methodology used to relate healthcare costs between ages.
- The rates of healthcare inflation used to project the per capita healthcare costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722  
FAX: 850-488-6975

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

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

### Report on the Financial Statements

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 24, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who 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 of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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. 2014-034.

**Purpose of this Report**

The purpose of the **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*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
March 24, 2014