

Highland Community College
District #519

Freeport, Illinois

Financial Report

June 30, 2013

Highland Community College District #519

Year Ended June 30, 2013

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Independent Auditor's Report

Board of Trustees
Highland Community College
District #519
Freeport, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Highland Community College, Illinois Community College District #519 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District'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 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Highland Community College, Illinois Community College District #519 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Financial Information as listed in the table of contents on pages 44 through 84 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Financial Information identified as ICCB Supplementary Information on pages 70 through 84 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Financial Information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional supplementary information on pages 44 through 69 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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 the District's internal control over financial reporting and compliance.

Wipfli LLP

Freeport, Illinois
October 8, 2013

Management Discussion and Analysis

Highland Community College District #519

Management Discussion and Analysis

Introduction

This section of Highland Community College District 519's financial report presents management's discussion and analysis of the financial position and results of activities of the District as of June 30, 2013. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of the District's management.

Using the Financial Statements

The financial report for the fiscal year ended June 30, 2013 consists of financial statements prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Three basic financial statements comprise the financial report: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The financial statements present financial information in a form similar to that used by corporations. The accrual basis of accounting is used, whereby revenues and assets are recognized when a service is provided and expenses and liabilities are recognized when others provide a service, regardless of when cash is exchanged.

The Statement of Net Position includes all assets and liabilities. Over time, increases or decreases in net position is one indicator of the improvement or decline of the District's financial condition when considered with non-financial facts such as enrollment levels and the condition of facilities. Assets and liabilities are generally measured using current values. One exception is capital assets, which are stated at historical cost less an allowance for depreciation.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. Annual state appropriations, while primarily budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles. The utilization of capital assets is reflected in the financial statements as depreciation, which spreads the cost of an asset over its expected useful life. Depreciation expense is classified as an operating expense.

The Statement of Cash Flows presents information related to cash inflows and outflows. GASB principles include four major sources of cash flows: cash flows from operating activities, cash flows from non-capital financing activities, cash flows from capital financing activities, and cash flows from investing activities.

The financial report for the fiscal year ended June 30, 2013 reflects the District's adoption of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under this statement, if a private foundation provides financial support to a public college or university at a level that meets specified criteria, the foundation is considered a "component unit" of the college for purposes of financial reporting and the college is required to include the foundation's financial activities in the college's financial statements.

Highland Community College District #519

Management Discussion and Analysis

Using the Financial Statements (Continued)

The Highland Community College Foundation is administered and operated exclusively for the benefit of the District. However, the Foundation is not a subsidiary or affiliate of the District and is not directly or indirectly controlled by the District. The resources of the Foundation are disbursed at the discretion of the Foundation's independent board of directors in accordance with donor directions and Foundation policy. The majority of the assets held by the Foundation are endowments, the principal of which may not be spent.

Although the Foundation is independent of the District in all respects, management has concluded that the Foundation is a "component unit" of the District as defined in GASB 39. Therefore, the Foundation's Financial Statements are included in the District's Financial Statements in a separate column. See the Notes to the Financial Statements for further discussion.

Highland Community College District #519

Management Discussion and Analysis

Condensed Financial Information

Net position are summarized in the table below.

Condensed Statement of Net Position June 30,

	<u>2013</u>	<u>2012</u>
Assets:		
Current Assets	\$23,343,272	\$21,527,133
Non-current Assets:		
Capital (Fixed) assets	<u>18,424,482</u>	<u>18,881,736</u>
Total Assets	<u>\$41,767,754</u>	<u>\$40,408,869</u>
Total deferred outflows of resources	<u>\$ 210,879</u>	<u>\$ _____</u>
Liabilities:		
Current Liabilities	\$ 5,136,207	\$ 4,585,652
Non-current Liabilities	<u>7,350,427</u>	<u>6,030,188</u>
Total liabilities	<u>\$12,486,634</u>	<u>\$10,615,840</u>
Total deferred inflows of resources	<u>\$ 4,116,391</u>	<u>\$ 4,373,970</u>
Net Position:		
Net investment in capital assets	\$12,810,957	\$11,853,636
Restricted, expendable:		
Capital projects	1,484,220	1,895,305
Debt service	731,289	481,560
Working cash	7,851,128	5,851,128
Other	504,308	791,863
Unrestricted	<u>1,782,827</u>	<u>4,545,567</u>
Total net position	<u>\$25,164,729</u>	<u>\$25,419,059</u>

Current assets consist primarily of cash, investments, and property taxes receivable. Total current assets and deferred outflows cover current liabilities and deferred inflows 2.5 times, an indicator of good liquidity.

The District's largest asset group is its capital assets. This includes land and land improvements, buildings, equipment, and technology. Capital projects completed in fiscal year 2013 include a campus security camera system and sidewalk work. Other projects begun in fiscal year 2013, but not yet completed include additional sidewalk work.

Highland Community College District #519

Management Discussion and Analysis

Condensed Financial Information (Continued)

The District's largest liability group is current liabilities, which is primarily made up of accounts payable and unearned tuition revenue.

Non-current liabilities include bonds payable, debt certificates, and working cash bonds issued by the District.

The District's net position consists of capital assets net of related debt, restricted net position, and unrestricted net position. Expendable restricted net position represents assets that have restrictions determined by an outside party. This includes restrictions related to State and Federal grants and debt repayment.

Unrestricted net position represents assets that have not been restricted by an outside party. This includes funds that the Board of Trustees and management have designated for specific uses as well as amounts that are contractually committed for goods and services.

Revenues, expenses, and changes in net position are summarized in the table below.

Condensed Statement of Revenues, Expenses, and Changes in Net Position For Fiscal Year Ending June 30,

	<u>2013</u>	<u>2012</u>
Total operating revenues	\$ 5,921,802	\$ 6,068,001
Total operating expenses	<u>29,662,125</u>	<u>30,553,951</u>
Operating loss	(23,740,323)	(24,485,950)
Nonoperating revenues (expenses)	<u>23,485,993</u>	<u>24,176,233</u>
Increase (decrease) in net position	(254,330)	(309,717)
Net position, beginning of year	<u>25,419,059</u>	<u>25,728,776</u>
Net position, end of year	<u>\$25,164,729</u>	<u>\$25,419,059</u>

Sources of operating revenues for the District include: tuition and fees, \$3,598,706, auxiliary enterprises revenue, \$1,592,252, and other revenue, \$730,844. Nonoperating revenues and operating expenses include a State Universities Retirement System of Illinois (SURS) contribution provided by the State in the amount of \$3,359,675.

Highland Community College District #519

Management Discussion and Analysis

Condensed Financial Information (Continued)

SURS is a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of participants.

The District's sources of nonoperating revenue include state appropriations, \$5,642,367, property and replacement taxes, \$8,891,015, and federal grants and contracts, \$9,400,792. The decrease in net position for fiscal year 2013 is \$254,330.

The District reports expenditures on a functional basis. The table below summarizes operating expenses.

Condensed Statement of Operating Expenses and Non-Operating Expenses For the Year Ended June 30,

	<u>2013</u>	<u>2012</u>
Instruction	\$ 8,883,182	\$ 8,676,859
Academic support	1,288,136	1,306,657
Student services	6,045,420	6,266,396
Public services	3,440,856	3,580,999
Operations and maintenance of plant	2,478,581	2,392,390
General administration	1,961,461	2,318,237
Independent operations	2,900	23
Institutional support	2,572,649	2,661,658
Auxiliary enterprises	1,613,799	1,864,951
Scholarships, grants, waivers	222,389	211,738
Capital projects	36,284	-
Depreciation	<u>1,116,468</u>	<u>1,274,043</u>
Total operating expenses	<u>\$29,662,125</u>	<u>\$30,553,951</u>
Interest expense and other	<u>\$486,265</u>	<u>\$314,467</u>

The main factor contributing to the decrease in the District's operating revenues in fiscal year 2013 is the decrease in auxiliary enterprise revenue of \$297,153. Tuition and fees revenue, classified as operating revenue, increased 6% in fiscal year 2013.

Highland Community College District #519

Management Discussion and Analysis

Condensed Financial Information (Continued)

Changes in operating expenses from 2012 to 2013 in all categories include changes in salaries and employee benefits due to changes in rates and in personnel. In addition, Student Services and Public Services changes reflect changes in grant funding; General Administration decreases reflect the results of the health insurance fund; and Institutional Support reflect technology projects and Protection, Health, and Safety projects.

Management's Analysis of the District's Overall Financial Position and Results of Operations

Using GASB Statement No. 35, The Statement of Revenues, Expenses, and Changes in Net Position reflects an overall decrease in the District's net position totaling \$254,330. Using the prior method of reporting, which reflects the day-to-day operations of the District, the Combined Balance Sheet for All Fund Types and Account Groups reflects an overall increase in the District's net position totaling \$1,665,712. The variance in results of \$1,920,042 is due primarily to the way in which debt and fixed assets are accounted for under each method. The prior method used self-balancing funds to account for debt and fixed assets, resulting in a zero effect on the increase in net position of the District. The GASB 35 method accounts for debt and fixed assets more like a corporation. Fixed assets are included as a long-term asset, with depreciation as an expense. Debt is included as a current and non-current liability, with interest as an expense.

GASB Statement No. 35 affects the District's reporting model, but not the day-to-day operations or the budgeting process of the District. In considering the District's financial position at June 30, 2013, of key importance is the fund balance in the Operating Funds, which increased by \$56,335 from June 30, 2012 to June 30, 2013. This increase is due to several open positions remaining open for the fiscal year, projects being postponed, and the attempt to reduce expenses in anticipation of a deficit budget for the year ended June 30, 2013. Fund balances in the other fund types are limited in use according to the source of revenue. These restricted types of funds will be used for capital expenditures, debt repayment, and grant programs.

Capital Assets/Long Term Debt

During the year ended June 30, 2013, the District invested \$659,214 in capital assets. This includes \$201,367 for buildings and improvements, and \$457,847 expended for equipment and technology. Capital projects were funded by a combination of restricted real estate tax revenue, operating funds, and bond proceeds.

Highland Community College District #519

Management Discussion and Analysis

Capital Assets/Long Term Debt (Continued)

Debt certificates were issued in fiscal year 2007. The certificates were issued for the purpose of updating technology and infrastructure through the purchase of equipment. The District redeemed these certificates with funding bonds in fiscal year 2007. Serial retirement of principal occurs on January 1, 2008, with interest payable semiannually with rates of 4.25% - 4.50%. These bonds matured on January 1, 2013.

Debt certificates were issued in fiscal year 2009. The certificates were issued for the purpose of technology and infrastructure. Serial retirement of principal occurs on January 1, 2010, with interest payable semiannually with rates of 4.00% - 5.00%. In November 2012, the District defaulted these debt certificates.

Working cash bonds were issued in fiscal year 2010. The bonds were issued for the purpose of increasing the Working Cash Fund of the District. Serial retirement of principal occurs on January 1, 2010, with interest payable semiannually with rates of 1.90% - 4.50%.

Series 2010 General Obligation Bonds were issued in December, 2010. \$1,750,000 bonds were issued for the purpose of paying unpaid claims of the District. Serial retirement of principal occurs on January 1, with interest payable on January 1 and July 1 of each year at rates of 2.00% - 4.00%, commencing January 1, 2012 and maturing on January 1, 2016.

Working cash bonds were issued in fiscal year 2013. The bonds were issued for the purpose of increasing the Working Cash Fund of the District. Serial retirement of principal occurs on January 1, with interest payable semiannually with a rate of 2.50%.

Series 2012 General Obligation Refunding Debt Certificates were issued in November, 2012. \$3,725,000 bonds were issued for the purpose of refunding a portion of the District's outstanding debt certificates. Serial retirement of principal occurs on January 1, with interest payable on January 1 and July 1 of each year at rates of 2.00% - 2.50%, commencing January 1, 2013 and maturing on January 1, 2024.

Additional information on the District's debt activity can be found in the accompanying Notes to the Financial Statements.

Factors or Conditions Impacting Future Periods

Financial and budget planning is directly related to and supportive of the District's strategic plan and operational needs. The District's financial outlook is influenced by factors such as: the State economy, the level of support available from the Highland Community College Foundation, program growth and development, new initiatives, and technology needs.

The District's main sources of Operating Funds Revenue are: property tax revenue, student tuition and fees, and State Operating grants. Management is aware of conditions that may impact each of those sources of revenue in fiscal year 2014.

Highland Community College District #519

Management Discussion and Analysis

Factors or Conditions Impacting Future Periods (Continued)

Property tax revenue in the Operating Funds has decreased annually during the most recent 3 year period. The average decrease in equalized assessed valuation (EAV) during this time period has been 2.8%. For fiscal year 2014, the District has estimated a 2% decrease in EAV due to the economic conditions of the District. Each percentage point in EAV is the equivalent of about \$35,000 in property tax revenue in the Operating funds.

Management anticipates a 10.5% increase in tuition revenue in fiscal year 2014 based on an estimated level enrollment for the 2012-2013 academic year, combined with a \$10 increase in tuition.

The final State of Illinois budget for fiscal year 2014 reflects a \$147,000 or 8.6% increase in Operating grants for the District. Overall, Operating funds revenue is expected to increase by 3.7% from fiscal year 2013 to fiscal year 2014.

Anticipated Operating Funds revenues for fiscal year 2014 are about \$518,000 more than fiscal year 2013. A fifteen percent increase in medical insurance premium resulted in about \$320,000 in additional costs to the Operating Funds. In order to bring expenses more in line with revenues, a variety of reductions have been made in areas such as materials and supplies, capital and travel/training costs. For fiscal year 2014, the Operating funds budget includes expenditures in excess of revenues in the amount of \$291,347. The District is budgeted to maintain an Operating funds ending fund balance that is within recommended guidelines of 5% to 20% of expenditures. The majority of the Operating funds budget for fiscal year 2014 continues to comprise instruction, academic support, and student services, reflecting the District's commitment to providing quality education and learning opportunities to the people of Northwestern Illinois.

The District completed a comprehensive strategic planning process in 2010. Goals identified through that process and corresponding planned outcomes include:

- Proactively identify emerging programmatic opportunities.
 - Improve our District's awareness and identity with Highland Community College through structured outreach efforts.
 - Increase the number of faculty and staff engaged in community outreach efforts and providing feedback regarding programmatic opportunities.
- Meet program delivery needs of current and prospective students.
 - Increases success of students in alternatively delivered programs and courses.

Highland Community College District #519

Management Discussion and Analysis

Factors or Conditions Impacting Future Periods (Continued)

- Provide student and academic services that meet the needs of students enrolled in alternative delivery courses and programs.
- Increase college-level enrollment.
 - More students will be retained through transitional courses and enroll in college-level courses.
 - More District students will enroll at Highland Community College because of their experiences in career exploration.

Short and long-range strategies associated with the above goals and outcomes may have budget implications for the upcoming fiscal year and for future fiscal years.

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the V.P. of Administrative Services, 2998 W. Pearl City Road, Freeport, IL 61032.

Basic Financial Statements

Highland Community College District #519

Statement of Net Position

June 30, 2013

Assets	Primary Government	Component Unit
		Highland Community College Foundation
Current assets:		
Cash and cash equivalents	\$ 2,392,137	\$ 182,665
Investments	9,796,450	17,276,074
Receivables:		
Taxes	7,234,486	-
Related party	13,674	-
Other, net of \$1,103,053 allowance for doubtful accounts	3,191,335	118,776
Inventories	455,648	-
Prepaid expense	48,663	-
Total current assets	23,132,393	17,577,515
Non-current assets:		
Cash surrender value of life insurance	-	294,136
Land	110,000	-
Fixed assets	34,278,290	71,545
Less allowance for accumulated depreciation	(15,963,808)	(43,561)
Total non-current assets	18,424,482	322,120
Total assets	41,556,875	17,899,635
Deferred Outflows of Resources		
Deferred charge on refunding	210,879	-
Total deferred outflows of resources	210,879	-
Liabilities		
Current liabilities:		
Accounts payable	577,368	-
Accounts payable, related party	-	30,722
Accrued expenses	599,593	291,002

Agency deposits	374,286	-
Unearned tuition revenue	2,253,932	-
Accrued compensated absences	89,683	-
Capital lease payable	18,456	-
Debt certificates payable	340,000	-
Bonds payable, including unamortized premium	882,889	-
Total current liabilities	5,136,207	321,724
Non-current liabilities:		
Accrued compensated absences	32,100	-
Other postemployment benefits	96,147	-
Capital lease payable	80,280	-
Debt certificates payable	3,915,000	-
Bonds payable, including unamortized premium	3,226,900	-
Total non-current liabilities	7,350,427	-
Total liabilities	12,486,634	321,724
Deferred Inflows of Resources		
Property taxes	4,116,391	-
Total deferred inflows of resources	4,116,391	-
Net Position		
Net investment in capital assets	12,810,957	-
Restricted, expendable:		
Capital projects	1,484,220	-
Debt service	731,289	-
Working cash	7,851,128	-
Other	504,308	-
Temporarily restricted	-	4,124,934
Permanently restricted	-	3,922,718
Unrestricted - Board designated	-	7,868,987
Unrestricted	1,782,827	1,661,272
Total net position	\$ 25,164,729	\$ 17,577,911

See accompanying notes to financial statements.

Highland Community College District #519

Statement of Revenues, Expenses, and Changes in Net Position

For the year ended June 30, 2013

	Primary Government	Component Unit Highland Community College Foundation
Revenues		
Operating Revenues:		
Student tuition and fees, net of scholarship allowances of \$1,822,570	\$ 3,598,706	\$ -
Auxiliary enterprises revenue	1,592,252	-
Other operating revenues	730,844	747,568
Total operating revenues	5,921,802	747,568
Expenses		
Operating Expenses:		
Instruction	8,883,182	-
Academic support	1,288,136	-
Student services	6,045,420	-
Public services	3,440,856	-
Operations and maintenance of plant	2,478,581	-
General administration	1,961,461	-
Independent operations	2,900	-
Institutional support	2,572,649	566,575
Auxiliary enterprises	1,613,799	-
Scholarships, student grants, and waivers	222,389	651,406
Capital projects	36,284	-
Depreciation	1,116,468	-
Total operating expenses	29,662,125	1,217,981
Operating income (loss)	(23,740,323)	(470,413)
Non-operating revenues (expenses)		
State sources	2,282,692	-
SURS contribution provided by state	3,359,675	-
Property and replacement taxes	8,891,015	-
Federal grants and contracts	9,400,792	-
Interest expense and other	(486,265)	-
Investment income earned	38,084	1,875,959
Total non-operating revenues	23,485,993	1,875,959
Increase (decrease) in net position	(254,330)	1,405,546
Net position at beginning of year	25,419,059	16,172,365
Net position at end of year	\$ 25,164,729	\$ 17,577,911

Highland Community College District #519

Statement of Cash Flows

For the year ended June 30, 2013

	Primary Government
Cash Flows from Operating Activities	
Tuition and fees	\$ 3,338,294
Payments to/for:	
Employees	(11,013,115)
Suppliers and students	(14,059,598)
Auxiliary enterprises	1,621,522
Other receipts	1,076,355
Net cash provided by (used in) operations	(19,036,542)
Cash Flows from Noncapital Financing Activities	
State sources	2,282,692
Property and replacement taxes	7,261,899
Federal grants and contracts	9,400,792
Net cash provided by (used for) noncapital financing activities	18,945,383
Cash Flows from Capital Financing Activities	
Purchases of capital assets and construction	(659,214)
Proceeds from long term debt	5,889,817
Principal paid on capital debt	(4,436,503)
Interest paid on capital debt	(486,265)
Net cash provided by (used for) capital financing activities	307,835
Cash Flows from Investing Activities	
Maturity of investments	550,000
Purchase of investments	(2,053,721)
Interest and earnings on investments	38,084
Net cash provided by (used for) investing activities	(1,465,637)
Net increase (decrease) in cash and cash equivalents	(1,248,961)
Beginning cash and cash equivalents	3,641,098
Ending cash and cash equivalents	\$ 2,392,137
Noncash, Capital and Related Financing Activities:	
SURS contribution paid by state	\$ 3,359,675

See accompanying notes to financial statements.

Highland Community College District #519

Statement of Cash Flows (Continued)

For the year ended June 30, 2013

Primary
Government

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (used) From Operating Activities

Operating income (loss)	\$ (23,740,323)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	1,116,468
On-behalf payments for SURS	3,359,675
Changes in net assets:	
Receivables (net)	74,126
Inventories	29,270
Prepaid expenses	(6,020)
Accounts payable	(409)
Accrued expenses	182,818
Accrued compensated absences	(26,343)
Other post employment benefits	32,049
Other accrued liabilities	-
Deposits held in custody for others	13,618
Unearned tuition and fees	(71,471)
Net cash provided (used) by operating activities	\$ (19,036,542)

Noncash Investing, Capital and Financing Activities

On-behalf payments for SURS	\$ 3,359,675
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Highland Community College District #519

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

The Board of Trustees (Board), a seven member group, is the level of government which has the governing responsibilities over all activities related to public post and secondary school education within the jurisdiction of the Highland Community College District No. #519 (the District). The District receives funding from local, state and federal sources and must comply with the requirements established by these funding source entities. However, the District is not included in any other governmental "reporting entity" as to result in the District being considered a component unit of the entity since Board members are elected by the public and have decision making authority, the power to designate management, and the responsibility to significantly influence operations and primary accountability for fiscal matters.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component unit, the Highland Community College Foundation.

The Foundation is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the District in support of its programs. The board members of the Foundation are self-perpetuating and consist of graduates and friends of the District. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District.

During the year ended June 30, 2013, the Highland Community College Foundation distributed \$911,346 to the District for both restricted and unrestricted purposes.

The Foundation is a not-for-profit organization that reports their financial results under Financial Accounting Standard Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit-Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

Highland Community College District #519

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Although the District is the exclusive beneficiary of the Foundation, the Foundation is independent of the District in all respects. The Foundation is not a subsidiary or affiliate of the District and is not directly or indirectly controlled by the District. The District does not have the power or authority to mortgage, pledge or encumber the assets of the Foundation. The directors of the Foundation are entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the District. Under state law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of state-appropriated funds allocated to the District. Third parties dealing with the District, the Illinois State Board of Higher Education and the State of Illinois (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

Financial statements for the Highland Community College Foundation can be obtained by calling the Foundation at 815-235-6121.

In addition, the District is not aware of any entity which would be financially accountable for the District, which would result in the District being considered a component of the entity.

The financial statements present a comprehensive look at the government and capitalization of assets and recording of depreciation. The financial statements use the full accrual basis of accounting rather than the modified accrual basis. The financial statements show the recording of accumulated depreciation and depreciation expense on general fixed assets, the elimination of internal revenue and expense charges, the removal of capital related items and debt principal payments from expenses, the recording of tuition revenue net of scholarships and allowances, the recording of property tax revenues on an accrual basis rather than a modified accrual basis, and the recording of summer school revenue between fiscal years rather than in one fiscal year.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities as well as those prescribed by the Illinois Community College Board (ICCB). The District reports are based on all applicable Government Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The following is a summary of the more significant policies:

Highland Community College District #519

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, includes property taxes; federal, state and local grants; state appropriations, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from grants, state appropriations, and other contributions is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Budgets

Budgeted amounts are obtained from the Board of Trustees approved operating budget of the District. The budget is used as the fiscal guideline in the implementation of Board policies and support of educational purposes of the District during the fiscal year. The budget amounts are the final adopted budget, including all amendments. The restricted fund budget is different than the operating budget. The restricted fund budget includes figures for grants received during the fiscal year. Therefore, these budgets are not approved by the Board at the beginning of the year and can change throughout the year.

Unexpended budgeted amounts lapse at the end of the budget year. Spending control is established by the amount of expenditures budgeted for each object and purpose, but management control is exercised at budgetary line item levels.

Investments

Investments consist of certificates of deposit and money market mutual funds. Investments are stated at cost or amortized cost, which approximates market. The District may invest funds under Section 3-47 of the Public Community College Act and Sections 235/1 through 235/7 of the Investment of the Public Funds Act.

Highland Community College District #519

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Investments (Continued)

The District funds may be invested in the types of securities listed below:

- a. Bonds, notes, certificates of indebtedness, treasury bills and other securities issued by the United States.
- b. Interest-bearing savings accounts, certificates of deposit, or time deposits with a bank or any other investment constituting direct obligations of any bank as defined by the Illinois Banking Act.
- c. Short-term obligations of U.S. corporations with assets exceeding \$500 million and meeting certain other requirements.
- d. Money market mutual funds registered under the Investment Company Act of 1940 provided the portfolio, both principal and interest, is guaranteed by the full faith and credit of the United States of America.
- e. Short-term discount obligations issued by the Federal National Mortgage Association.
- f. Shares or other securities issued by savings and loan associations.
- g. Dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered in the United States with its principal office located in Illinois if insured by applicable law.
- h. Certificates or securities issued by the Public Treasurers' Investment Pool.
- i. Funds managed, operated and administered by a bank, subsidiary of a bank, or a subsidiary of a bank holding company.
- j. Illinois School District Liquid Asset Fund.
- k. Repurchase agreements in which the instrument and the transaction must meet certain requirements.
- l. Mutual funds that invest primarily in corporate investment grade or global government short-term bonds which are approved by the local board of trustees.

The Foundation invests in various money markets, U.S. obligations, equities, and mutual funds, which are shown on the financial statements at fair market value.

Inventory

Inventories of books, clothing and supplies are carried at cost, based on the first-in, first-out method.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Highland Community College District #519

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash consists of NOW accounts and savings accounts.

For purposes of the statement of cash flows, cash equivalents can include money market accounts and any highly liquid debt instruments purchased with a maturity of less than three months. There were no cash equivalents included in cash as of June 30, 2013.

Classification of Revenues

Operating revenue include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, and (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as (1) local property taxes, (2) state appropriations (3) most federal, state, and local grants and contracts and federal appropriations, and (4) gifts and contributions.

Note 2 Property Taxes

Property taxes are levied each calendar year on all taxable real property located within the District. Property taxes are recorded on an accrual basis of accounting. Pursuant to the Board of Trustee resolution, property tax levies passed in December 2011 and 2012 were allocated fifty percent for each of the two years after the levy year.

The personal property replacement tax is recorded on the accrual basis based on the amounts held by the State.

The Counties in which the District resides are responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of the levy year which begins in January and are payable in two installments approximately in July and September. Payments made after the September installment date are assessed interest at the rate of 1% for farm land and 1-1/2% for all others.

Highland Community College District #519

Notes to Financial Statements

Note 2 Property Taxes (Continued)

Following are the tax rates for the last three years, and the statutory maximum tax rates. The 2012 rate is for tax levy payable in calendar year 2013, per \$100 of assessed valuation.

	Statutory Maximum Rate	2010 Rate	2011 Rate	2012 Rate
Education Fund*	\$.1750	\$.2800	\$.2800	\$.2800
Operations and Maintenance Fund	.0750	.0750	.0750	.0750
Average Additional	.2100	.0000	.0000	.0000
Liability Insurance	None	.0480	.0499	.0516
Audit Fund	.0050	.0024	.0025	.0027
Protection, Health, & Safety	.0500	.0216	.0252	.0029
Social Security/Medicare Fund**	None	.0085	.0088	.0086
Prior Year Adjustment	None	.0005	.0005	.0000
Bond and Interest Fund	None	<u>.0493</u>	<u>.0517</u>	<u>.0570</u>
Total		<u>\$.4853</u>	<u>\$.4936</u>	<u>\$.4778</u>

*The District is able to exceed the statutory maximum rate due to a local referendum.

**The Social Security/Medicare tax levy and related expenditures are recorded in the Liability, Protection, and Settlement Fund.

Note 3 Tuition and fees

Student tuition and fees include all such items assessed against students for educational and service purposes. Tuition and fee revenues collected during the fiscal year which relate to the period after June 30, 2013, have been recognized as unearned revenues.

Note 4 Prepaid Expense

Prepaid expenses relate to expenditures the District has paid for prior to year end, but relate to fiscal year 2014.

Note 5 Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the Statement of Net Position. A deferred charge on a refunding results from the difference in the

Highland Community College District #519

Notes to Financial Statements

Note 5 Deferred outflows/inflows of resources (Continued)

carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, unavailable revenue, which comes from property taxes recorded on the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 6 Net Position

The District's net position is classified as follows:

Net investment in capital assets - This represents the District's total investment in capital assets, net of accumulated depreciation, and net of related debt.

Restricted - expendable - This includes resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted - This includes resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District and may be used at the discretion of the governing board to meet current expenses for any purpose.

Note 7 Out-of-District Tuition

The amount of cost to be charged for out-of-district students during the year ended June 30, 2013, has been computed using the guidelines provided in the 2013 edition of the Fiscal Management Manual prepared by the Illinois Community College Board.

Highland Community College District #519

Notes to Financial Statements

Note 8 Capital assets

The following is a summary of the changes in general fixed assets of the College for the year ended June 30, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Land (non-depreciable)	\$ 110,000	\$ -	\$ -	\$ 110,000
Construction in process	-	-	-	-
Land improvements	3,609,328	192,867	-	3,802,195
Buildings	24,322,578	8,500	-	24,331,078
Equipment	2,648,143	133,639	247,352	2,534,430
Technology	4,091,216	324,208	804,837	3,610,587
	<u>\$34,781,265</u>	<u>\$659,214</u>	<u>\$1,052,189</u>	<u>\$34,388,290</u>

A summary of changes in accumulated depreciation by asset categories follow:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Land improvements	\$ 3,120,095	\$ 141,757	\$ -	\$ 3,261,852
Buildings	8,292,055	486,622	-	8,778,677
Equipment	1,415,795	263,955	247,352	1,432,398
Technology	3,071,584	224,134	804,837	2,490,881
	<u>\$15,899,529</u>	<u>\$1,116,468</u>	<u>\$1,052,189</u>	<u>\$15,963,808</u>

Capital assets include property, plant equipment, and infrastructure assets, such as roads and sidewalks. Capital assets are defined by the District as assets with an initial unit cost of \$2,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated on the straight line basis based on the following:

<u>Assets</u>	<u>Years</u>
Buildings	50
Land Improvements	10
Equipment	8
Computer technology	4

Highland Community College District #519

Notes to Financial Statements

Note 9 Compensated Absences

The District records a liability for employees' vacation leave earned, but not taken. Employees are allowed to carry over a limited number of vacation days from year to year. At June 30, 2013, the District recorded a vacation liability of \$89,683. The District considers this liability current and due within one year.

The District implemented a sick pay payout upon retirement program that allows sick days over 180 to be paid out at \$20 a day upon retirement. At June 30, 2013, the District recorded a sick pay liability of \$32,100. The District considers this liability non-current.

Note 10 Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Federal Family Education Loan programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133 Audit of States, Local Governments and Non-Profit Organizations, and the Compliance Supplement.

Note 11 On-Behalf Payments for Fringe Benefits and Salaries

The College recognizes as revenues and expenses contributions made by the State of Illinois to the State Universities Retirement Systems on behalf of the District's employees. In fiscal year 2013 and 2012, the state made contributions of \$3,359,675 and \$2,369,802, respectively (see Note 12).

Note 12 Pension Plan

Plan Description

Highland Community College District #519 contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees.

SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org, or calling 1-800-275-7877.

Highland Community College District #519

Notes to Financial Statements

Note 12 Pension Plan (Continued)

Policy Funding

Plan members are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate (for FY 2013) is 34.51% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contributions to SURS for the years ending June 30, 2013, 2012, and 2011 were \$3,477,437, \$2,495,991, and \$2,050,915, respectively, equal to the required contributions for each year. Included in these contributions are the on behalf payments.

Note 13 Other Postemployment Benefits

Benefits Provided. The District provides continued medical, prescription drug, and dental coverage at the active employee rate to all eligible employees in accordance with Illinois statutes, which creates an implicit subsidy of retiree medical, prescription drug, and dental coverage.

Plan Description. In addition to providing pension benefits, the District provides postemployment health benefits (OPEB) for retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by the District and can be amended by the District through its personnel manual and employment contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the District's government-wide activities.

Funding Policy. The District is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until after retirement.

The portion of the premium to be paid by the College for health and dental insurance will be determined by the insurance cap in place at the time of retirement. Currently, the District does not contribute to the premium amount per retired member for the cost of a faculty or support staff member's individual insurance coverage.

Annual OPEB Costs and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC is the periodic required contribution to fund the postemployment health care benefits of both active and retired employees, calculated in accordance with GASB Statement No. 45. It includes both the value of benefits earned during the year (normal cost) and an amortization of

Highland Community College District #519

Notes to Financial Statements

Note 13 Other Postemployment Benefits (Continued)

Annual OPEB Costs and Net OPEB Obligation (continued). the unfunded actuarial accrued liability. Although there is no requirement to make contributions equal to the ARC, it serves as the starting point for determining the annual OPEB cost.

The District first had an actuarial valuation performed for the plan as of July 1, 2010 to determine the funded status of the plan as of the date as well as the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2011. The annual OPEB cost is the amount the District charges as the cost of the postemployment health care benefits each fiscal year. If there is no net OPEB obligation, then the annual OPEB cost is equal to the ARC. However, if there is a net OPEB obligation, the annual OPEB cost reflects adjustment for interest on the net OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2013 was as follows:

Fiscal Year Ending	Annual OPEB Cost	Estimated Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	<u>\$45,544</u>	<u>\$13,495</u>	29.6%	<u>\$32,049</u>
June 30, 2012	<u>\$45,544</u>	<u>\$13,495</u>	29.6%	<u>\$64,098</u>
June 30, 2013	<u>\$45,544</u>	<u>\$13,495</u>	29.6%	<u>\$96,147</u>

The net OPEB obligation as of June 30, 2013 (most recent information available), was calculated as follows:

Annual required contribution	\$45,544
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	45,544
Contribution made	<u>(13,495)</u>
Increase in net OPEB obligation	32,049
Net OPEB obligation, beginning of year	<u>64,098</u>
Net OPEB obligation, end of year	<u>\$96,147</u>

Highland Community College District #519

Notes to Financial Statements

Note 13 Other Postemployment Benefits (Continued)

Funded Status and Funding Progress. The funded status of the plan on June 30, 2011 (the date of the last actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$305,038
Actuarial value of plan assets	<u> -</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$305,038</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active members)	N/A
UAAL as a percentage of covered payroll	N/A

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, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the ARCs 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 the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AALs for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011 actuarial valuation, the projected unit credit method was used.

Discount rate. The discount rate as of June 30, 2011 is 3.00 percent. The discount rate is determined by the plan sponsor based on the estimated long-term investment yield on the investments that are expected to be used to finance the payment of the benefits.

Mortality. Life expectancy was based on mortality tables developed by the Society of Actuaries with a generally accepted projection of future mortality improvement. The RP-2000 Combined Mortality Tables for males and females were used.

Highland Community College District #519

Notes to Financial Statements

Note 13 Other Postemployment Benefits (Continued)

Retiree Contributions. Retiree and spouse (if applicable) costs of \$6,480 and \$6,780, respectively.

Average retirement age. The average age for a retiree is age 65.

Health Care Trend Rate. The initial rates of 7.00% for the District PPO medical plan grading down over 10 years to a 5.00% ultimate rate for the medical plan. The trend rate for dental and vision claims is 5.00 percent for all years.

Retiree contributions and trend rate. Monthly premium rates reflect the estimated future increases in retiree contributions. The trend rate is 3% for Fiscal Year 2012 and 4% for all subsequent periods.

Participation/election assumption. The percentage reflects the participants who will choose retiree coverage when eligible. The assumption is that 10% of future retirees will elect medical coverage in the District Plan.

Spousal coverage. The percentage reflects the spouses who will choose retiree coverage when eligible. The assumption is that 100% of spouses are assumed to elect retiree coverage when eligible assuming 70% are married with husbands three years older than wives. Actual spouse data was used for current retirees.

Eligibility provisions. The following must be met for full-time college employees to participate in coverage:

- An annuitant in the State Universities Retirement System (SURS) with at least 5 continuous years of service with the District; or
- Retires under the SURS requirement of "any age with 30 or more years of service" or is at least age 55 at the time of retirement under SURS.

Actuarial Cost Method. The method used to calculate normal cost and actuarial accrued liability is the projected unit credit cost method. Under this method, the present value of projected benefits is estimated at each decrement age, taking into account the value of future increases in medical claims and the effect of medical contributions. The total present value of projected benefits is the sum of the present values for each decrement age.

The actuarial accrued liability is calculated by prorating the present value of projected benefits by service at the valuation date over service projected to the date of decrement.

The actuarial value of assets was not determined as the District has not advance funded its obligation.

Highland Community College District #519

Notes to Financial Statements

Note 14 Deposits and Investments

Cash and investments as of June 30, 2013 consist of the following:

	<u>Carrying Amount</u>
Cash and cash equivalents	\$ 2,392,137
Deposits with financial institutions	9,612,923
External investment pool	<u>183,527</u>
Total	<u>\$12,188,587</u>

Deposits

Concentration of credit risk and Foreign Currency Risk:

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At year end, the District's carrying amount of deposits was \$12,185,791 and the bank balance was \$12,422,494.

Of the bank balance, \$1,722,141 was covered by federal depository insurance and \$10,700,353 was collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

The District has no foreign currency risk for deposits at year end.

Investments

As of June 30, 2013, the District's investments were as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
External investment pool	<u>\$183,527</u>	<u>\$183,527</u>

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. There was no increase in the fair value of investments during 2013.

The District's investments during the year did not vary significantly from those at year-end in amounts or level of risk.

Highland Community College District #519

Notes to Financial Statements

Note 14 Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			<u>Total</u>
	<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	
External investment pool	<u>\$183,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$183,527</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year end for the external investment pool investment type:

<u>Investment Type</u>	<u>June 30, 2013</u>	<u>AAAm</u>	<u>Aa</u>	<u>Unrated</u>
External investment pool	<u>\$183,527</u>	<u>\$183,527</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration of Credit Risk

The District has no investments in any one issuer that represent 5% or more of the total District's investments.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

As of June 30, 2013 there are no investments with custodial credit risk.

Highland Community College District #519

Notes to Financial Statements

Note 14 Deposits and Investments (Continued)

Foreign Currency Risk

The District has no foreign currency risk for investments at year end. At various times during the year, the bank balances exceeded FDIC insurance and collateral pledged by the financial institutions.

The Illinois School District Liquid Asset Fund is an investment pool acting on behalf of School Districts, Community Colleges, and Educational Service Regions.

The State Treasurer maintains the Illinois Funds Money Market at cost and fair value through daily adjustments in the interest earnings. The fair value of the District's investment in the fund is the same as the value of the pool shares. The Pool is audited annually by an outside independent auditor and copies of the report are distributed to participants.

The Pools maintain a Standard and Poor's AAA rating. The District's investments in the funds are not required to be categorized because they are not securities. The relationship between the District and the investment agent is a direct contractual relationship and the investments are not supported by a transferable instrument that evidences ownership or creditorship.

All funds deposited in the Pools could be withdrawn on a day's notice. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of the Illinois Public Investment Act, 30 ILCS 235.

Note 15 Changes in General Long-term Debt

	<u>Balance</u> <u>July 1, 2012</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
2006 Gen. Obligation Bonds	\$ 385,000	\$ -	\$ 385,000	\$ -
2008 Debt Certificates	4,150,000	-	3,570,000	580,000
2009 Working Cash Bonds	1,055,000	-	150,000	905,000
2010 Gen. Oblig. Bonds	1,415,000	-	280,000	1,135,000
2012 Copier Capital Lease	-	100,239	1,503	98,736
2012 G.O. Rfdg. Debt Cert.	-	3,725,000	50,000	3,675,000
2012 Gen. Oblig. WC Bonds	-	1,945,000	-	1,945,000
	<u>\$7,005,000</u>	<u>\$5,770,239</u>	<u>\$4,436,503</u>	<u>\$8,338,736</u>
Total				
Premium on bonds	<u>\$ 23,100</u>	<u>\$ 119,578</u>	<u>\$ 17,889</u>	<u>\$ 124,789</u>

Highland Community College District #519

Notes to Financial Statements

Note 15 Changes in General Long-term Debt (Continued)

Series 2006 General Obligation Bonds were issued in October, 2006. \$2,830,000 bonds were issued for the purpose of updating technology and infrastructure. Serial retirement of principal occurs on January 1, with interest payable on January 1 and July 1 of each year at rates of 4.25% - 4.50%, commencing July 1, 2007. These bonds matured on January 1, 2013.

Debt certificates were issued on July 1, 2008. \$4,800,000 in debt certificates were issued for the purpose of purchasing real and personal property. Serial retirement of principal occurs on January 1, 2010, with interest at rates of 4.00% - 5.00%, commencing July 1, 2009 and with an original maturity of January 1, 2024.

In November 2012, the District defeased a portion of these debt certificates by placing \$3,654,448 (which includes \$354,448 of interest) of proceeds of the new certificates in an irrevocable trust to provide for future debt service payments on the old certificates. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2013, \$3,300,000 of bonds outstanding is considered defeased.

Series 2009 General Obligation Bonds were issued in November, 2009. \$1,200,000 bonds were issued for the purpose of increasing the Working Cash Fund. Serial retirement of principal occurs on January 1, with interest payable on January 1 and July 1 of each year at rates of 1.90% - 4.50%, commencing January 1, 2011 and maturing on January 1, 2015.

Series 2010 General Obligation Bonds were issued in December, 2010. \$1,750,000 bonds were issued for the purpose of paying unpaid claims of the District. Serial retirement of principal occurs on January 1, with interest payable on January 1 and July 1 of each year at rates of 2.00% - 4.00%, commencing January 1, 2012 and maturing on January 1, 2016.

Series 2012 General Obligation Bonds were issued in December, 2012. \$1,945,000 bonds were issued for the purpose of increasing the Working Cash Fund. Serial retirement of principal occurs on January 1, with interest payable on January 1 and July 1 of each year at a rate of 2.50%, commencing January 1, 2013 and maturing on January 1, 2018.

Series 2012 General Obligation Refunding Debt Certificates were issued in November, 2012. \$3,725,000 bonds were issued for the purpose of refunding a portion of the District's outstanding Debt Certificates, Series 2008 and pay certain costs associated with the issuance of the Certificates. Serial retirement of principal occurs on January 1, with interest payable on January 1 and July 1 of each year at rates of 2.00% - 2.50%, commencing January 1, 2013 and maturing on January 1, 2024. Due to favorable interest rates in fiscal year 2013, the District defeased a portion of the 2008 debt certificates by placing the proceeds of the new bonds in an irrevocable trust to provide for certain future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The

Highland Community College District #519

Notes to Financial Statements

Note 15 Changes in General Long-term Debt (Continued)

reacquisition price exceeded the net carrying amount of the old debt by \$354,448 and is being amortized over the life of the old debt, which is shorter. The transaction resulted in an economic gain of \$165,150 and a reduction of \$186,037 in future debt service payments.

At June 30, 2013, the annual cash flow requirements of bond principal and interest are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$1,205,000	\$229,643	\$1,434,643
2015	1,270,000	180,598	1,450,598
2016	1,270,000	135,358	1,405,358
2017	1,325,000	101,632	1,426,632
2018	725,000	70,358	795,358
2019-2023	2,020,000	189,322	2,209,322
2024	<u>425,000</u>	<u>10,626</u>	<u>435,626</u>
	<u>\$8,240,000</u>	<u>\$917,537</u>	<u>\$9,157,537</u>

The District entered into a capital lease in June, 2013 at an interest rate of 4.23%, to acquire copiers. Monthly payments of interest and principal began in June, 2013. Total payments for the copier equipment are \$111,385 (principal of \$100,239 and interest of \$11,147). The following is an amortization schedule for this lease:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$18,456	\$ 3,819	\$ 22,275
2015	19,253	3,025	22,278
2016	20,081	2,193	22,274
2017	20,948	1,328	22,276
2018	<u>19,998</u>	<u>424</u>	<u>20,422</u>
	<u>\$98,736</u>	<u>\$10,789</u>	<u>\$109,525</u>

A computation of the legal debt margin of the District as of June 30, 2013, is as follows:

Assessed valuation – 2012 tax levy	\$1,723,242,610
Debt limit – 2.875% of assessed valuation	\$ 49,543,225
Less applicable debt	<u>(8,338,736)</u>
Legal debt margin	<u>\$ 41,204,489</u>

Highland Community College District #519

Notes to Financial Statements

Note 16 Leases

HCC-YMCA Building

In an agreement made effective July 21, 1977, the Board of Trustees of Highland Community College District #519 and the Young Men's Christian Association of Freeport, Illinois, agreed to jointly construct and operate a multi-purpose recreational facility to be located on the District's campus.

In exchange for sharing the cost, the YMCA has a 50 year lease of the facility upon the terms and conditions set forth in the agreement. The District is entitled to the fair and equitable use of the facilities, the details of which are also set forth in the agreement.

The YMCA reimburses Highland Community College District #519 for its portion of operational costs for the physical education building. This reimbursement is based upon a set formula in which the YMCA reimburses the District for 65% of the operational costs. The total reimbursement amount for fiscal year 2013 totals \$259,719. As of June 30, 2013, the YMCA had paid \$256,250. The YMCA has a balance due of \$3,469 included in accounts receivable at year end.

As part of the lease with Highland Community College, both the District and the YMCA contribute \$1,250 per month to a joint fund used to share the cost of repair and maintenance to the Sports Complex building and to the loop road and parking lot.

The funds are maintained in an interest bearing account and the interest earned is credited to the joint account. These amounts are accounted for as Agency Funds. The allowable expenses from these funds must be approved by the District's Board of Trustees and the YMCA's Board of Directors. As of June 30, 2013, the following amounts were available for the District's share of these expenditures:

Road and lot	\$ 78,263
Building maintenance	60,224
Accumulated interest	<u>47,424</u>
Total	<u>\$185,911</u>

In an agreement dated June 1, 2001, the District agreed to lease to the YMCA the Child Care and Training Center. The YMCA shall pay the District lease payments of \$2,500, payable on the first day of each month, with the last payment of \$3,012 on March 1, 2014. The YMCA also reimburses the District 90% of the electricity costs of the child care center. The lease will terminate on April 1, 2014.

Other Leases

Operating Leases: The District leases space at Elizabeth High School for office and classroom purposes, commencing August, 2011 and ending July 31, 2014. No annual rent will be paid by the District, with the District agreeing to pay 80% of the monthly utility expenses and janitorial expenses.

Highland Community College District #519

Notes to Financial Statements

Note 17 Short-Term Debt

The District did not engage in any short-term debt activity during the year.

Note 18 Related Party Transactions

Transactions between the District and Highland Community College Foundation, a related party, took place during the fiscal year. For the year ended June 30, 2013, \$911,346 was received from the Foundation which consists of grants, tuition, Foundation employee salary reimbursements, and miscellaneous expenses. Accounts receivable from Highland Community College Foundation total \$13,674 as of June 30, 2013.

Note 19 Risk Management

The District 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 students; and natural disasters. The District purchases commercial insurance to cover the various risks of loss. The commercial insurance policies contain deductibles which vary with the type of coverage and risk involved. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 20 Self-Insurance

The District is partially self-insured for health care benefits provided to its own employees. The purpose of this program is to pay medical insurance claims of the District employees and their covered dependents and minimize the total costs of annual insurance to the District. The health insurance consultant determines premium payments to be made by the District. Annual claims are paid from accumulated premium payments, and claims exceeding accumulated premium payments are paid by the private insurance carrier. Employee and dependent coverage is partially funded by charges to employees and the remainder by the District.

Under the program, the District is responsible for the first \$60,000 of covered charges per individual per year and approximately the first \$1,940,000 of covered charges in aggregate. Health care claims which are more than \$60,000 per individual and \$1,940,000 in aggregate are covered by re-insurance.

The District establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The estimate was provided by management. At June 30, 2013, the amount of these liabilities was \$223,121.

Highland Community College District #519

Notes to Financial Statements

Note 20 Self-Insurance (Continued)

The following represents changes in those liabilities for the District during the past two years:

<u>Current Year Year Ending June 30</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2011	\$101,854	\$1,911,160	\$1,921,266	\$91,748
2012	\$91,748	\$2,252,481	\$2,141,170	\$203,059
2013	\$203,059	\$2,496,981	\$2,476,919	\$223,121

Note 21 New Accounting Pronouncements

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* is effective for the fiscal year ending June 30, 2013. The pronouncement improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Management has determined there is no material effect on the financial statements with regard to the adoption of this standard.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* is effective for the fiscal year ending June 30, 2013. The pronouncement modifies certain requirements for inclusion of component units in the financial reporting entity. See Note 1 to the financial statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* is effective for the fiscal year ending June 30, 2013. The pronouncement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. Management has determined there is no material effect on the financial statements with regard to the adoption of this standard.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* is effective for the fiscal year ending June 30, 2013. The pronouncement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53* is effective for the fiscal year ending June 30, 2013. The pronouncement clarifies whether an effective

Highland Community College District #519

Notes to Financial Statements

Note 21 New Accounting Pronouncements (Continued)

hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. Management has determined there is no material effect on the financial statements with regard to the adoption of this standard.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* is effective for the fiscal year ending June 30, 2013. The pronouncement reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See the Statement of Net Position. Additionally, bond issuance costs are now expensed instead of being amortized over the life of the bonds.

Note 22 Pending Accounting Pronouncements

GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62* is effective for the fiscal year ending June 30, 2014. The pronouncement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB Statement No. 67, *Accounting and Reporting for Pension Plans - an amendment of GASB Statement No. 25* is effective for financial statements for the fiscal year ending June 30, 2014. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to define contribution plans that provide postemployment benefits other than pensions.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* is effective for the fiscal year ending June 30, 2015. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are administered as trusts or equivalent arrangements.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* is effective for the fiscal year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

Highland Community College District #519

Notes to Financial Statements

Note 22 Pending Accounting Pronouncements (Continued)

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* is effective for the fiscal year ending June 30, 2014. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

Management has not completed its assessment of these pending standards as to the effect, if any, they may have on the financial statements.

Note 23 Board Designated Assets of the Foundation

On October 5, 2011, the United States Department of Education released the Endowment Challenge Grant to the District, as the 20 year investment period was completed on March 31, 2010. During those 20 years, Highland Community College Foundation served as the fiscal agent for the District for the purposes of investing these funds.

During the year ended June 30, 2012, the Foundation Board designated the combined Federal and matching share of the Endowment Challenge Grant. The expenditures from this fund and its proceeds shall be at the suggestion and direction of the Board of Trustees of the District. These assets will remain as such until the District's Board requests all or a portion of these funds.

As of June 30, 2013, \$7,868,788 of assets relating to the Endowment Challenge Grant remains. These funds may be used for any educational purpose including strengthening the District's capability to meet financial goals and increasing student access to quality higher education.

The Foundation retains ownership and fiduciary responsibilities of these funds, but has entered into a memo of understanding with the District's Board as to what these funds will be used for along with the timing for the release of these funds.

Note 24 Component Unit

The Foundation is a private, not-for-profit organization that reports its financial results under the *Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification)* which is the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The financial statements of the Foundation have been reformatted to comply with the classification and display

Highland Community College District #519

Notes to Financial Statements

Note 24 Component Unit (Continued)

requirements in GASB Statement 35 on the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. However, no modifications have been made to the Foundation's financial information in the District's financial reporting entity for revenue recognition or footnote disclosure differences.

Summary of Significant Accounting Policies

Fund Accounting: To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, the funds are combined and fund balances with similar characteristics are combined and reported. The Foundation follows the accrual basis of accounting.

Under the Codification, the Foundation reports its fund balances as net assets. Net assets are classified into one of three classes of net position based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted: Unrestricted net assets include all net assets, which are neither temporarily or permanently restricted.

Temporarily Restricted: Temporarily restricted net assets include contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

Permanently Restricted: Permanently restricted net assets include contributed net assets, which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Cash and Cash Equivalents: Cash and cash equivalents include checking accounts, savings accounts, and repurchase agreements with maturity dated of 90 days or less. Money market mutual funds are considered investments for financial reporting purposes.

Concentration of Credit Risk: The Foundation maintains cash balances in banks. The balances for these accounts at times exceed \$250,000, the amount insured by the Federal deposit Insurance Corporation (FDIC).

Investments: Investments are composed of publicly traded securities, which are carried at fair value and money market funds and certificates of deposits, which are carried at cost, but which approximates fair value.

Highland Community College District #519

Notes to Financial Statements

Note 24 Component Unit (Continued)

Summary of Significant Accounting Policies (Continued)

Contributions: Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporary or permanently restricted net assets depending on the nature of the restriction.

Temporary restricted contributions received in the same year in which the restriction is met are recorded as temporarily restricted contributions and released from restriction.

Donated Property: Donated property is recorded at its fair value at the date of donation. If donors stipulate how long the assets must be used or held, the contributions are recorded as restricted support. In absence of such stipulations, contributions of property are recorded as unrestricted support.

Accounting Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Endowment: The Foundation's endowment consists of many funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence of absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted state law as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the purposes of the Foundation and the donor-restricted endowment fund.

Highland Community College District #519

Notes to Financial Statements

Note 24 Component Unit (Continued)

The endowment net asset composition by type of fund at June 30, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$4,124,934	\$3,922,718	\$ 8,047,652
Board-designated endowment funds	<u>6,868,987</u>	<u>-</u>	<u>-</u>	<u>6,868,987</u>
	<u>\$6,868,987</u>	<u>\$4,124,934</u>	<u>\$3,922,718</u>	<u>\$14,916,639</u>

Changes in endowment net assets as of June 30, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Endowment net assets, beginning of year	\$ 6,101,920	\$ 4,468,524	\$3,606,393	\$14,176,837
Contributions	-	570,181	7,913	578,094
Interest and dividend income	187,297	253,824	-	441,121
Net unrealized gain(loss) on investments	591,248	257,609	308,412	1,157,269
Amounts appropriated for Expenditure	(11,478)	-	-	(11,478)
Amounts released from restriction	<u>-</u>	<u>(1,425,204)</u>	<u>-</u>	<u>(1,425,204)</u>
	<u>\$ 6,868,987</u>	<u>\$ 4,124,934</u>	<u>\$3,922,718</u>	<u>\$14,916,639</u>

Investments

Investments consist of the following as of June 30, 2013:

Money market funds	\$ 582,303
Certificates of deposits	316,060
U.S. Treasury and governmental agency obligations	183,336
Corporate and other obligations	944,901
Common stock and equity funds	14,649,474
Property	<u>600,000</u>
Total investments	<u>\$17,276,074</u>

Highland Community College District #519

Notes to Financial Statements

Note 24 Component Unit (Continued)

Fair Value Measurement

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2013 are as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Inactive Markets for Identical Assets (Level 2)
U.S. Treasury and governmental agency obligations	\$ 183,336	\$ 183,336	\$ -
Corporate and other obligations	944,901	944,901	-
Common stock and equity funds	14,649,474	14,649,474	-
Property	<u>600,000</u>	<u>-</u>	<u>600,000</u>
Total investments	<u>\$16,377,711</u>	<u>\$15,777,711</u>	<u>\$600,000</u>

Property and Equipment

A summary of equipment is as follows:

	<u>Cost 6/30/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Cost 6/30/2013</u>
Equipment	\$ 66,970	\$ 6,733	\$(2,158)	\$71,545
Less accumulated Depreciation	<u>(42,896)</u>	<u>(2,823)</u>	<u>2,158</u>	<u>(43,561)</u>
Total, net of accumulated Depreciation	<u>\$ 24,074</u>	<u>\$ 3,910</u>	<u>\$ -</u>	<u>\$27,984</u>

Depreciation is calculated using the straight-line method over 5 and 7 year lives.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

Tax returns filed by the Foundation are subject to examination by the Internal Revenue Service for up to three years from the extended due date of each return. Tax returns filed by the Foundation are no longer subject to examination for the fiscal years ended June 30, 2009 and prior.

Supplementary Financial Information

Highland Community College District #519

Reconciliation of Change in all Fund Balances to the Changes in Net Position

June 30, 2013

All Fund Types - Change in Fund Balances	\$	1,665,712
Reduction in student tuition and fees		(1,822,570)
Reduction in financial aid expense		1,822,570
Net effect		-
Prior year recognition of summer revenue deferred		(222,663)
Prior year recognition of summer salaries deferred		46,041
Recognition of summer revenue deferred		223,391
Recognition of summer salaries deferred		(45,326)
Net effect		1,443
Compensated absences decrease (increase)		26,343
Other post employment benefits decrease (increase)		(32,049)
Expended for capital assets		659,214
Depreciation		(1,116,468)
Net effect		(457,254)
Long-term debt issued (governmental funds)		(5,770,239)
Premium received on bonds		(119,578)
Premium adjustment on bonds		(5,211)
Long-term debt retired (governmental funds)		4,436,503
Net effect		(1,458,525)
Change in net position	\$	(254,330)
Net position, beginning of year	\$	25,419,059
Net position, end of year		25,164,729
Change in net position	\$	(254,330)

Reconciliation of Combined Balance Sheet to the Statement of Net Position

Fund Balances - All Fund Types and Account Groups	\$	49,631,927
Allowance for accumulated depreciation		(15,963,808)
Recognition of summer revenue deferred		223,391
Recognition of summer salaries deferred		(45,326)
Amount to be provided for compensated absences		(121,783)
Amount to be provided for other post employment benefits		(96,147)
Amount available in debt service fund		(731,289)
Amount to be provided for retirement of general long-term debt		(7,732,236)
Net Position of Statement of Net Position	\$	25,164,729

Highland Community College District #519

Combined Balance Sheet All Fund Types and Account Groups

June 30, 2013

Assets	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Cash and cash equivalents	\$ -	\$ 1,830,672	\$ 157,962	\$ 29,217
Investments - at cost	1,919,002	6,401,523	-	1,475,925
Receivables:				
Taxes	5,395,343	942,570	852,973	43,600
Other, net of \$1,103,053 allowance for doubtful accounts	2,710,770	420,156	-	-
Due from other funds	-	1,378,554	-	-
Inventories	-	-	-	-
Deferred expense	85,215	8,414	210,879	-
Fixed assets	-	-	-	-
Other debits:				
Amount to be provided for compensated absences	-	-	-	-
Amount available in the debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total assets	\$ 10,110,330	\$ 10,981,889	\$ 1,221,814	\$ 1,548,742
Liability and Fund Equity				
Liabilities:				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Due to other funds	721,162	458,273	-	-
Accounts payable	223,065	297,635	-	39,449
Accrued expenses	404,657	192,960	-	-
Agency deposits	-	-	-	-
Deferred revenue	5,217,151	729,108	490,525	25,073
Accrued compensated absences	-	-	-	-
Debt certificates payable	-	-	-	-
Capital lease payable	-	-	-	-
Premium on bonds	-	-	-	-
Bonds payable	-	-	-	-
Total liabilities	6,566,035	1,677,976	490,525	64,522
Fund equity:				
Investments in general fixed assets	-	-	-	-
Retained earnings - unreserved	-	-	-	-
Fund balances (deficit):				
Reserved for restricted purposes	-	504,308	-	-
Reserved for bond requirements	-	-	731,289	-
Reserved for working cash	-	7,851,128	-	-
Unreserved - designated	3,544,295	948,477	-	1,484,220
Total fund equity	3,544,295	9,303,913	731,289	1,484,220
Total liabilities and fund equity	\$ 10,110,330	\$ 10,981,889	\$ 1,221,814	\$ 1,548,742

Proprietary Fund Types	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)
		Enterprise	Agency	General Fixed Assets	
\$ -	\$ 374,286	\$ -	\$ -	\$ 2,392,137	
-	-	-	-	9,796,450	
-	-	-	-	7,234,486	
74,083	-	-	-	3,205,009	
-	-	-	-	1,378,554	
455,648	-	-	-	455,648	
360	-	-	-	304,868	
-	-	34,388,290	-	34,388,290	
-	-	-	121,783	121,783	
-	-	-	731,289	731,289	
-	-	-	7,732,236	7,732,236	
<u>\$ 530,091</u>	<u>\$ 374,286</u>	<u>\$ 34,388,290</u>	<u>\$ 8,585,308</u>	<u>\$ 67,740,750</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	
199,119	-	-	-	1,378,554	
17,219	-	-	-	577,368	
1,976	-	-	-	599,593	
-	374,286	-	-	374,286	
131,857	-	-	-	6,593,714	
-	-	-	121,783	121,783	
-	-	-	4,255,000	4,255,000	
-	-	-	98,736	98,736	
-	-	-	124,789	124,789	
-	-	-	3,985,000	3,985,000	
<u>350,171</u>	<u>374,286</u>	<u>-</u>	<u>8,585,308</u>	<u>18,108,823</u>	
-	-	34,388,290	-	34,388,290	
179,920	-	-	-	179,920	
-	-	-	-	504,308	
-	-	-	-	731,289	
-	-	-	-	7,851,128	
-	-	-	-	5,976,992	
<u>179,920</u>	<u>-</u>	<u>34,388,290</u>	<u>-</u>	<u>49,631,927</u>	
<u>\$ 530,091</u>	<u>\$ 374,286</u>	<u>\$ 34,388,290</u>	<u>\$ 8,585,308</u>	<u>\$ 67,740,750</u>	

Highland Community College District #519

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types

For the year ended June 30, 2013

Revenues	Governmental	
	General	Special Revenue
Local governmental sources	\$ 6,598,364	\$ 1,091,601
State governmental sources	1,713,270	569,422
Federal governmental sources	174,825	9,225,967
Student tuition and fees	5,060,670	359,878
Other sources	408,647	331,740
On behalf payments	1,915,015	1,444,660
Total revenue	15,870,791	13,023,268
Expenditures		
Instruction	6,449,743	670,476
Academic support	772,259	317,401
Student services	1,320,361	6,162,011
Public services	480,162	2,716,581
Operations and maintenance of plant	1,689,632	484,769
General administration	1,203,078	481,338
Independent operations	-	2,900
Institutional support	1,484,327	900,195
Scholarships, student grants, and waivers	222,389	-
Capital projects	-	-
Debt service	349,704	102,311
On behalf payments	1,915,015	1,444,660
Total expenditures	15,886,670	13,282,642
Excess (deficiency) of revenues over expenditures	(15,879)	(259,374)
Other financing sources (uses)		
Bond proceeds	-	1,945,000
Premiums on debt issued	-	107,311
Capital lease proceeds	-	-
Payment to escrow agent	-	-
Transfers from (to) other funds	72,214	(657)
Total other financing sources (uses)	72,214	2,051,654
Excess (deficiency) of revenues and other sources over expenditures and other uses	56,335	1,792,280
Fund balance (deficit), beginning of year	3,487,960	7,511,633
Fund balance (deficit), end of year	\$ 3,544,295	\$ 9,303,913

Fund Types		Total
Debt Service	Capital Projects	(Memorandum Only)
\$ 950,977	\$ 250,073	\$ 8,891,015
-	-	2,282,692
-	-	9,400,792
-	-	5,420,548
27,027	1,514	768,928
-	-	3,359,675
978,004	251,587	30,123,650
-	-	7,120,219
-	-	1,089,660
-	-	7,482,372
-	-	3,196,743
-	-	2,174,401
-	-	1,684,416
-	-	2,900
-	-	2,384,522
-	-	222,389
-	691,354	691,354
1,165,542	-	1,617,557
-	-	3,359,675
1,165,542	691,354	31,026,208
(187,538)	(439,767)	(902,558)
3,725,000	-	5,670,000
12,267	-	119,578
-	100,239	100,239
(3,300,000)	-	(3,300,000)
-	(71,557)	-
437,267	28,682	2,589,817
249,729	(411,085)	1,687,259
481,560	1,895,305	13,376,458
\$ 731,289	\$ 1,484,220	\$ 15,063,717

Highland Community College District #519

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual All Governmental Fund Types

For the year ended June 30, 2013

	General Fund Types		
	Budget	Actual	Over (Under) Budget
Revenues			
Local governmental sources	\$ 6,567,462	\$ 6,598,364	\$ 30,902
State governmental sources	1,710,766	1,713,270	2,504
Federal governmental sources	161,300	174,825	13,525
Student tuition and fees	5,112,500	5,060,670	(51,830)
Other sources	584,438	408,647	(175,791)
On behalf payments	-	1,915,015	1,915,015
Total revenues	14,136,466	15,870,791	1,734,325
Expenditures			
Instruction	6,667,578	6,449,743	(217,835)
Academic support	879,629	772,259	(107,370)
Student services	1,311,512	1,320,361	8,849
Public services	467,492	480,162	12,670
Operations and maintenance of plant	1,818,718	1,689,632	(129,086)
General administration	1,239,606	1,203,078	(36,528)
Independent operations	-	-	-
Institutional support	2,015,130	1,484,327	(530,803)
Scholarships, student grants, and waivers	238,000	222,389	(15,611)
Capital projects	-	-	-
Debt service	-	349,704	349,704
On behalf payments	-	1,915,015	1,915,015
Total expenditures	14,637,665	15,886,670	1,249,005
Excess (deficiency) of revenues over expenditures	(501,199)	(15,879)	485,320
Other financing sources (uses)			
Bond proceeds	-	-	-
Premiums on debt issued	-	-	-
Payment to escrow agent	-	-	-
Transfer from (to) other funds	15,500	72,214	56,714
Total other financing sources (uses)	15,500	72,214	56,714
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ (485,699)	56,335	\$ 542,034
Fund balance, beginning of year		3,487,960	
Fund balance, end of year		\$ 3,544,295	

Special Revenue Fund Types			Debt Service Fund Types		
Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
\$ 1,087,900	\$ 1,091,601	\$ 3,701	\$ 944,460	\$ 950,977	\$ 6,517
587,571	569,422	(18,149)	-	-	-
9,618,705	9,225,967	(392,738)	-	-	-
375,000	359,878	(15,122)	-	-	-
287,506	331,740	44,234	-	27,027	27,027
-	1,444,660	1,444,660	-	-	-
11,956,682	13,023,268	1,066,586	944,460	978,004	33,544
780,124	670,476	(109,648)	-	-	-
336,180	317,401	(18,779)	-	-	-
6,534,308	6,162,011	(372,297)	-	-	-
2,682,102	2,716,581	34,479	-	-	-
496,505	484,769	(11,736)	-	-	-
833,321	481,338	(351,983)	-	-	-
3,000	2,900	(100)	-	-	-
1,141,837	900,195	(241,642)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	102,311	102,311	919,096	1,165,542	246,446
-	1,444,660	1,444,660	-	-	-
12,807,377	13,282,642	475,265	919,096	1,165,542	246,446
(850,695)	(259,374)	591,321	25,364	(187,538)	(212,902)
-	1,945,000	1,945,000	-	3,725,000	3,725,000
-	107,311	107,311	-	12,267	12,267
-	-	-	-	(3,300,000)	(3,300,000)
-	(657)	(657)	-	-	-
-	2,051,654	2,051,654	-	437,267	437,267
\$ (850,695)	1,792,280	\$ 2,642,975	\$ 25,364	249,729	\$ 224,365
	7,511,633			481,560	
	\$ 9,303,913			\$ 731,289	

Highland Community College District #519

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Continued) All Governmental Fund Types

For the year ended June 30, 2013

	Capital Project Fund Types		
	Budget	Actual	Over (Under) Budget
Revenues			
Local governmental sources	\$ 225,000	\$ 250,073	\$ 25,073
State governmental sources	-	-	-
Federal governmental sources	-	-	-
Student tuition and fees	-	-	-
Other sources	-	1,514	1,514
On behalf payments	-	-	-
Total revenues	225,000	251,587	26,587
Expenditures			
Instruction	-	-	-
Academic support	-	-	-
Student services	-	-	-
Public services	-	-	-
Operations and maintenance of plant	-	-	-
General administration	-	-	-
Independent operations	-	-	-
Institutional support	-	-	-
Scholarships, student grants, and waivers	-	-	-
Capital projects	755,835	691,354	(64,481)
Debt service	-	-	-
On behalf payments	-	-	-
Total expenditures	755,835	691,354	(64,481)
Excess (deficiency) of revenues over expenditures	(530,835)	(439,767)	91,068
Other financing sources (uses)			
Bond proceeds	-	-	-
Capital lease proceeds	-	100,239	100,239
Transfer from (to) other funds	-	(71,557)	(71,557)
Total other financing sources (uses)	-	28,682	28,682
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ (530,835)	(411,085)	\$ 119,750
Fund balance, beginning of year		1,895,305	
Fund balance, end of year		\$ 1,484,220	

Highland Community College District #519

Combined Statement of Revenues, Expenditures, and Changes in Retained Earnings/Fund Balances - Budget and Actual All Proprietary Fund Types

For the year ended June 30, 2013

	Proprietary Fund Type	
	Budget	Actual
Operating revenues		
Bookstore sales	\$ 1,467,000	\$ 1,274,389
Other fees	92,000	85,329
Athletics	47,584	42,974
Other sources	200,215	189,560
Total operating revenues	1,806,799	1,592,252
Operating expenses		
Salaries	287,937	270,051
Employee benefits	39,776	40,371
Contractual services	57,580	71,295
General materials and supplies	1,326,042	1,107,967
Conference and meeting expense	88,790	82,962
Utilities	3,096	796
Fixed charges	1,300	1,243
Capital outlay	2,000	3,742
Other	123,485	35,372
Total operating expenses	1,930,006	1,613,799
Operating income (loss)	(123,207)	(21,547)
Nonoperating revenue (expenses)		
Transfer from (to) other funds	-	-
Total nonoperating revenue (expenses)	-	-
Net income (loss)	\$ (123,207)	(21,547)
Retained earnings/fund balance, beginning of year		201,467
Retained earnings/fund balance, end of year		\$ 179,920

Highland Community College District #519

Combined Statement of Cash Flows Proprietary Fund Type

For the year ended June 30, 2013

	Proprietary Fund Type Enterprise Fund Type
Cash Flows from Operating Activities	
Operating income (loss)	\$ (21,547)
Adjustments to reconcile net income to net cash from operating activities:	
(Increase) decrease in current assets:	
Inventory	29,270
Accounts receivable	(30,718)
Deferred expense	223
Due from other funds	-
Increase (decrease) in current liabilities:	
Deferred revenue	49,688
Due to other funds	(36,214)
Accounts payable	9,209
Accrued expenses	89
Net cash provided by (used in) operations	-
Cash Flows from Investing Activities	
Purchase of investments	-
Maturity of investments	-
Net cash provided by (used for) investing activities	-
Cash Flows from Noncapital Financing Activities	
Transfer from (to) other funds	-
Net cash provided by (used for) noncapital financing activities	-
Net increase (decrease) in cash and cash equivalents	-
Beginning cash and cash equivalents	-
Ending cash and cash equivalents	\$ -

Highland Community College District #519

Combining Balance Sheet Governmental Fund Types - General Funds

June 30, 2013

	Educational Fund	Operations and Mainten- ance Fund	Total General Funds
Assets			
Cash	\$ -	\$ -	\$ -
Investments	1,919,002	-	1,919,002
Receivables:			
Taxes	4,223,515	1,171,828	5,395,343
Other, net of \$1,103,053 allow- ance for doubtful accounts	2,506,991	203,779	2,710,770
Deferred expense	85,215	-	85,215
Total assets	\$ 8,734,723	\$ 1,375,607	\$ 10,110,330
Liabilities and Fund Balance			
Cash overdraft	\$ -	\$ -	\$ -
Due to other funds	125,738	595,424	721,162
Accounts payable	166,929	56,136	223,065
Accrued expenses	390,272	14,385	404,657
Deferred revenue	4,570,935	646,216	5,217,151
Total liabilities	5,253,874	1,312,161	6,566,035
Fund balance - unreserved - designated	3,480,849	63,446	3,544,295
Total liabilities and fund balance	\$ 8,734,723	\$ 1,375,607	\$ 10,110,330

Highland Community College District #519

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Types General Funds

For the year ended June 30, 2013

	Educational Fund	Operations and Mainten- ance Fund	Total General Funds
Revenues			
Local governmental sources	\$ 5,034,254	\$ 1,564,110	\$ 6,598,364
State governmental sources	1,512,945	200,325	1,713,270
Federal governmental sources	174,825	-	174,825
Student tuition and fees	5,060,670	-	5,060,670
Other sources	332,718	75,929	408,647
On behalf payments	1,915,015	-	1,915,015
Total revenues	14,030,427	1,840,364	15,870,791
Expenditures			
Instruction	6,449,743	-	6,449,743
Academic support	772,259	-	772,259
Student services	1,320,361	-	1,320,361
Public services	480,162	-	480,162
Operations and maintenance of plant	-	1,689,632	1,689,632
General administration	1,203,078	-	1,203,078
Institutional support	1,484,327	-	1,484,327
Scholarships, student grants, and waivers	222,389	-	222,389
Debt service	349,704	-	349,704
On behalf payments	1,915,015	-	1,915,015
Total expenditures	14,197,038	1,689,632	15,886,670
Excess (deficiency) of revenue over expenditures	(166,611)	150,732	(15,879)
Other financing sources (uses)			
Bond proceeds	-	-	-
Transfer from (to) other funds	72,214	-	72,214
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(94,397)	150,732	56,335
Fund balance, beginning of year	3,575,246	(87,286)	3,487,960
Fund balance, end of year	\$ 3,480,849	\$ 63,446	\$ 3,544,295

Highland Community College District #519

Combining Balance Sheet Governmental Fund Types - Special Revenue Funds

June 30, 2013

	Restricted Purposes Fund	Audit Fund	Liability, Protection, and Settlement Funds	Working Cash Funds	Total Special Revenue Funds
Assets					
Cash	\$ -	\$ 2,418	\$ 549,145	\$ 1,279,109	\$ 1,830,672
Investments	1,208,058	-	-	5,193,465	6,401,523
Receivables:					-
Property tax	-	39,987	902,583	-	942,570
Other	420,156	-	-	-	420,156
Prepaid expense	8,414	-	-	-	8,414
Due from other funds	-	-	-	1,378,554	1,378,554
Total assets	\$ 1,636,628	\$ 42,405	\$ 1,451,728	\$ 7,851,128	\$ 10,981,889
Liabilities and Fund Balance					
Due to other funds	\$ 458,273	\$ -	\$ -	\$ -	\$ 458,273
Accounts payable	294,016	144	3,475	-	297,635
Deferred revenue	187,071	22,997	519,040	-	729,108
Accrued expense	192,960	-	-	-	192,960
Total liabilities	1,132,320	23,141	522,515	-	1,677,976
Fund balance (deficit):					
Reserved for restricted purposes	504,308	-	-	7,851,128	8,355,436
Unreserved - designated	-	19,264	929,213	-	948,477
Total fund balance	504,308	19,264	929,213	7,851,128	9,303,913
Total liabilities and fund balance	\$ 1,636,628	\$ 42,405	\$ 1,451,728	\$ 7,851,128	\$ 10,981,889

Highland Community College District #519

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Fund Types - Special Revenue Funds

For the year ended June 30, 2013

	Restricted Purposes Fund	Audit Fund	Liability, Protection, and Settlement Fund	Working Cash Fund	Total Special Revenue Funds
Revenues					
Local government sources	\$ -	\$ 44,997	\$ 1,046,604	\$ -	\$ 1,091,601
State governmental sources	569,422	-	-	-	569,422
Federal governmental sources	9,225,967	-	-	-	9,225,967
Student tuition	359,878	-	-	-	359,878
Other sources	318,331	-	-	13,409	331,740
On behalf payments	1,444,660	-	-	-	1,444,660
Total revenues	11,918,258	44,997	1,046,604	13,409	13,023,268
Expenditures					
Instruction	670,476	-	-	-	670,476
Academic support	317,401	-	-	-	317,401
Student services	6,162,011	-	-	-	6,162,011
Public services	2,716,581	-	-	-	2,716,581
General administration	481,338	-	-	-	481,338
Operations and maintenance	-	-	484,769	-	484,769
Independent operations	2,900	-	-	-	2,900
Institutional support	360,446	46,800	480,197	12,752	900,195
Debt service	50,000	-	-	52,311	102,311
On behalf payments	1,444,660	-	-	-	1,444,660
Total expenditures	12,205,813	46,800	964,966	65,063	13,282,642
Excess (deficiency) of revenues over expenditures	(287,555)	(1,803)	81,638	(51,654)	(259,374)
Other financing sources (uses) of funds					
Bond proceeds	-	-	-	1,945,000	1,945,000
Premium on debt issued	-	-	-	107,311	107,311
Transfer from (to) other funds	-	-	-	(657)	(657)
Total other financing sources	-	-	-	2,051,654	2,051,654
Excess (deficiency) of revenues over expenditures and transfers	(287,555)	(1,803)	81,638	2,000,000	1,792,280
Fund balance, beginning of year	791,863	21,067	847,575	5,851,128	7,511,633
Fund balance, end of year	\$ 504,308	\$ 19,264	\$ 929,213	\$ 7,851,128	\$ 9,303,913

Highland Community College District #519

Combining Balance Sheet Fiduciary Funds

June 30, 2013

	<u>Agency Funds</u>	
	Student Activities	Total
Assets		
Cash on hand and in bank	\$ 374,286	\$ 374,286
Investments	-	-
Receivables - other	-	-
Due from other funds	-	-
Total assets	\$ 374,286	\$ 374,286
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ -	\$ -
Agency deposits	374,286	374,286
Total liabilities	374,286	374,286
Fund balances:		
Undesignated	-	-
Total fund balances	-	-
Total liabilities and fund balances	\$ 374,286	\$ 374,286

Highland Community College District #519

Educational Fund Schedule of Revenues Compared to Budget

For the year ended June 30, 2013

	Budget	Actual	Over (Under) Budget
Local Governmental Sources			
Current taxes	\$ 2,406,796	\$ 2,412,539	\$ 5,743
Corporate personal property replacement tax	136,089	146,372	10,283
Back taxes	2,470,357	2,475,343	4,986
Total local government sources	5,013,242	5,034,254	21,012
State Governmental Sources			
ICCB base operating grants	1,135,172	1,135,172	-
ICCB equalization grants	245,696	245,696	-
ICCB other	7,000	9,504	2,504
ICCB career and technical education	122,573	122,573	-
Total state government sources	1,510,441	1,512,945	2,504
Federal Governmental Sources			
Federal financial aid	11,144	14,615	3,471
Indirect costs	30,156	39,549	9,393
DCEO	120,000	120,661	661
Total federal governmental sources	161,300	174,825	13,525
Student Tuition and Fees			
Tuition	4,487,403	4,506,283	18,880
Fees	625,097	554,387	(70,710)
Total student tuition and fees	5,112,500	5,060,670	(51,830)
Other Sources			
Facilities rental	22,700	23,515	815
Interest on investments	5,000	2,683	(2,317)
Other revenue	509,729	306,520	(203,209)
Total other sources	537,429	332,718	(204,711)
Total revenues	\$ 12,334,912	\$ 12,115,412	\$ (219,500)

Highland Community College District #519

Educational Fund Schedule of Expenditures Compared to Budget

For the year ended June 30, 2013

	Budget	Actual	Over (Under) Budget
Instruction			
Salaries	\$ 5,377,869	\$ 5,272,040	\$ (105,829)
Employee benefits	844,581	839,960	(4,621)
Contractual services	141,374	109,396	(31,978)
General materials and supplies	225,139	177,735	(47,404)
Conference and meetings expense	48,580	29,571	(19,009)
Fixed charges	15,000	8,010	(6,990)
Utilities	1,000	728	(272)
Capital outlay	875	7,733	6,858
Other	13,160	4,570	(8,590)
Total instruction	6,667,578	6,449,743	(217,835)
Academic Support			
Salaries	567,736	516,694	(51,042)
Employee benefits	156,954	139,009	(17,945)
Contractual services	42,620	16,619	(26,001)
General materials and supplies	94,169	87,677	(6,492)
Conference and meetings expense	16,200	8,668	(7,532)
Capital outlay	1,000	3,479	2,479
Other	950	113	(837)
Total academic support	879,629	772,259	(107,370)
Student Services			
Salaries	944,192	937,467	(6,725)
Employee benefits	198,429	212,980	14,551
Contractual services	9,300	12,037	2,737
General materials and supplies	29,101	21,541	(7,560)
Conference and meetings expense	30,880	26,050	(4,830)
Fixed charges	-	2,056	2,056
Utilities	720	400	(320)
Capital outlay	-	-	-
Other	98,890	107,830	8,940
Total student services	1,311,512	1,320,361	8,849
Public Services			
Salaries	236,282	214,144	(22,138)
Employee benefits	12,561	13,056	495
Contractual services	168,550	171,389	2,839
General materials and supplies	8,575	12,144	3,569
Conference and meeting expense	6,294	36,042	29,748

Highland Community College District #519

Educational Fund (Continued)

Schedule of Expenditures Compared to Budget

For the year ended June 30, 2013

	Budget	Actual	Over (Under) Budget
Public Services (Continued)			
Fixed charges	1,500	2,074	574
Utilities	33,280	29,800	(3,480)
Capital outlay	-	-	-
Other	450	1,513	1,063
Total public services	467,492	480,162	12,670
Operations and Maintenance of Plant			
General materials and supplies	-	-	-
General Administration			
Salaries	725,461	700,731	(24,730)
Employee benefits	209,508	206,662	(2,846)
Contractual services	98,633	89,507	(9,126)
General materials and supplies	180,865	189,903	9,038
Conference and meeting expense	22,413	13,718	(8,695)
Fixed charges	-	-	-
Utilities	2,253	2,372	119
Capital outlay	125	-	(125)
Other	348	185	(163)
Total general administration	1,239,606	1,203,078	(36,528)
Institutional Support			
Salaries	432,478	437,538	5,060
Employee benefits	268,265	195,118	(73,147)
Contractual services	345,196	326,156	(19,040)
General materials and supplies	170,845	127,641	(43,204)
Conference and meeting expense	64,980	50,871	(14,109)
Fixed charges	559,988	99,535	(460,453)
Utilities	30,540	22,268	(8,272)
Capital outlay	20,638	50,170	29,532
Other	122,200	175,030	52,830
Total institutional support	2,015,130	1,484,327	(530,803)
Debt Service			
Principal and interest payments	-	349,704	349,704
Other			
Provision of contingency	-	-	-
Scholarships, Student Grants, & Waivers			
Other	238,000	222,389	(15,611)
Total educational fund	\$ 12,818,947	\$ 12,282,023	\$ (536,924)
Other financing sources (uses) of funds:			
Bond proceeds	\$ -	\$ -	\$ -
Operating transfers in	15,500	72,214	56,714
Operating transfers out	-	-	-
Total other financing sources (uses) of funds	\$ 15,500	\$ 72,214	\$ 56,714

Highland Community College District #519

General - Operations and Maintenance Fund - Unrestricted Schedule of Revenues and Expenditures Compared to Budget

For the year ended June 30, 2013

	Budget	Actual	Over (Under) Budget
Revenues			
Local Governmental Sources			
Current taxes	\$ 651,642	\$ 646,216	\$ (5,426)
Corporate personal property replacement tax	233,911	249,227	15,316
Back taxes	668,667	668,667	-
Total local government sources	1,554,220	1,564,110	9,890
State Governmental Sources			
State apportionment	200,325	200,325	-
Total state government sources	200,325	200,325	-
Federal Governmental Sources			
FEMA	-	-	-
Total federal sources	-	-	-
Other Sources			
Facilities rental	46,709	48,616	1,907
Other revenue	300	27,313	27,013
Total other sources	47,009	75,929	28,920
Total revenues	\$ 1,801,554	\$ 1,840,364	\$ 38,810
Expenditures			
Operation and Maintenance of Plant			
Salaries	\$ 785,761	\$ 766,452	\$ (19,309)
Employee benefits	266,167	263,648	(2,519)
Contractual services	120,705	124,863	4,158
General materials and supplies	152,225	124,516	(27,709)
Conference and meeting expense	475	604	129
Utilities	765,550	638,004	(127,546)
Other	(273,991)	(229,405)	44,586
Contingency	-	-	-
Capital outlay	1,826	950	(876)
Total expenditures	\$ 1,818,718	\$ 1,689,632	\$ (129,086)
Other financing sources (uses) of funds			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	-	-
Total financing sources (uses)	\$ -	\$ -	\$ -

Highland Community College District #519

Special Revenue - Restricted Purpose Fund Schedule of Revenues Compared to Budget

For the year ended June 30, 2013

	Budget	Actual	Over (Under) Budget
Revenues			
State Governmental Sources			
Workforce Preparation Grant	\$ -	\$ -	\$ -
Student Success Grant	-	-	-
SBE Adult Education	276,080	276,080	-
SBE Vocational Education	160,480	142,331	(18,149)
Other	151,011	151,011	-
RSVP	-	-	-
Total state government sources	587,571	569,422	(18,149)
Federal Governmental Sources			
Student Support Services Grant	289,429	238,374	(51,055)
College Work Study	83,945	83,945	-
Direct Federal Loan Program	1,900,000	1,951,895	51,895
Upward Bound Grant	-	130,940	130,940
Pell	4,205,000	3,701,666	(503,334)
SEOG	45,068	45,068	-
CTE/Other	376,486	369,297	(7,189)
DCEO Title IB	2,532,753	2,554,375	21,622
IGEN/TAA Grant	186,024	150,407	(35,617)
Total federal government sources	9,618,705	9,225,967	(392,738)
Student Tuition and Fees			
Fees	40,000	61,380	21,380
	335,000	298,498	(36,502)
Total student tuition and fees	375,000	359,878	(15,122)
Other Sources			
Highland Community College Foundation	11,000	15,877	4,877
Investment income	19,690	21,012	1,322
In Kind	32,478	28,964	(3,514)
Other	224,338	252,478	28,140
Total other sources	287,506	318,331	30,825
Total revenue	\$ 10,868,782	\$ 10,473,598	\$ (395,184)

Highland Community College District #519

Special Revenue - Restricted Purpose Fund Schedule of Expenditures Compared to Budget

For the year ended June 30, 2013

	Budget	Actual	Over (Under) Budget
Expenditures			
Instruction			
Salaries	\$ 470,896	\$ 433,008	\$ (37,888)
Employee benefits	114,460	107,788	(6,672)
Contractual services	10,416	-	(10,416)
General materials and supplies	97,430	78,716	(18,714)
Conference and meetings expense	51,325	18,446	(32,879)
Fixed charges	653	217	(436)
Utilities	-	-	-
Capital outlay	30,800	29,290	(1,510)
Other	4,144	3,011	(1,133)
Total instruction	780,124	670,476	(109,648)
Academic Support			
Salaries	119,367	115,877	(3,490)
Employee benefits	31,760	29,186	(2,574)
Contractual services	95,835	100,653	4,818
General materials and supplies	6,740	11,549	4,809
Capital outlay	34,000	20,136	(13,864)
Conference and meetings expense	6,650	7,151	501
Other	41,828	32,849	(8,979)
Total academic support	336,180	317,401	(18,779)
Student Services			
Salaries	256,569	291,551	34,982
Employee benefits	53,459	68,194	14,735
Contractual services	4,966	2,240	(2,726)
General materials and supplies	8,100	5,914	(2,186)
Capital outlay	2,000	-	(2,000)
Conference meeting expense	7,517	40,115	32,598
Other	6,201,697	5,753,997	(447,700)
Total student services	6,534,308	6,162,011	(372,297)
Public Services			
Salaries	608,821	569,971	(38,850)
Employee benefits	219,041	218,869	(172)
Contractual services	48,742	38,048	(10,694)
General materials and supplies	66,739	30,585	(36,154)
Conference and meeting expense	29,159	24,820	(4,339)
Fixed charges	72,283	76,994	4,711
Utilities	17,899	15,178	(2,721)
Capital Outlay	-	1,300	1,300
Other	1,619,418	1,740,816	121,398
Total public services	2,682,102	2,716,581	34,479

Highland Community College District #519

Special Revenue - Restricted Purpose Fund (Continued)

Schedule of Expenditures Compared to Budget

For the year ended June 30, 2013

	Budget	Actual	Over (Under) Budget
Expenditures (Continued)			
Institutional Support			
Salaries	77,309	40,657	(36,652)
General materials and supplies	1,500	608	(892)
Employee Benefits	28,442	24,217	(4,225)
Conference and meetings expense	1,610	185	(1,425)
Capital outlay	-	-	-
Contractual services	360,897	297,420	(63,477)
Utilities	-	-	-
Other	2,390	(2,641)	(5,031)
Total institutional support	472,148	360,446	(111,702)
General Administration			
Salaries	146,500	189,365	42,865
General materials and supplies	2,821	1,850	(971)
Employee benefits	9,990	14,312	4,322
Conference and meetings expense	4,385	5,629	1,244
Fixed charges	200	200	-
Capital outlay	-	2,358	2,358
Contractual services	-	-	-
Other	669,425	267,624	(401,801)
Total general administration	833,321	481,338	(351,983)
Operations & Maintenance			
Salaries	-	-	-
General materials and supplies	-	-	-
Capital outlay	-	-	-
Conference and meetings expense	-	-	-
Other	-	50,000	50,000
Total operations & maintenance	-	50,000	50,000
Independent Operations			
Salaries	-	-	-
General materials and supplies	-	-	-
Capital outlay	-	-	-
Contractual services	3,000	2,900	(100)
Other	-	-	-
Total independent operations	3,000	2,900	(100)
Total expenditures	\$ 11,641,183	\$ 10,761,153	\$ (880,030)
Other financing sources (uses) of funds:			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	-	-
Total other financing sources (uses) of funds	\$ -	\$ -	\$ -

Highland Community College District #519

Special Revenue - Audit Fund Schedule of Revenues and Expenditures Compared to Budget

For the year ended June 30, 2013

	Budget	Actual	Over (Under) Budget
Revenues			
Local Governmental Sources			
Current taxes	\$ 23,400	\$ 22,997	\$ (403)
Back taxes	22,000	22,000	-
<hr/>			
Total revenues	\$ 45,400	\$ 44,997	\$ (403)
<hr/>			
Expenditures			
Institutional Support			
Audit costs	\$ 46,800	\$ 46,800	\$ -
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Highland Community College District #519

Special Revenue

Liability, Protection, and Settlement Fund

Schedule of Revenues and Expenditures Compared to Budget

For the year ended June 30, 2013

	Budget	Actual	Over (Under) Budget
Revenues			
Local Governmental Sources			
Current taxes	\$ 519,000	\$ 519,040	\$ 40
Back taxes	523,500	523,500	-
Other revenue	-	4,064	4,064
Total revenues	\$ 1,042,500	\$ 1,046,604	\$ 4,104
Expenditures			
Institutional Support			
Salaries	\$ 19,240	\$ 19,249	\$ 9
Employee benefits	274,159	221,385	(52,774)
Contractual services	131,500	57,884	(73,616)
General materials and supplies	9,889	1,499	(8,390)
Conferences and meetings	12,600	4,679	(7,921)
Fixed charges	175,501	175,501	-
Capital outlay	-	-	-
Provision for contingency	-	-	-
Total institutional support	622,889	480,197	(142,692)
Operations and Maintenance			
Salaries	208,821	203,011	(5,810)
Employee benefits	57,684	57,077	(607)
Contractual services	230,000	224,681	(5,319)
Total operations and maintenance	496,505	484,769	(11,736)
Total expenditures	\$ 1,119,394	\$ 964,966	\$ (154,428)

Highland Community College District #519

Special Revenue

Working Cash Fund

Schedule of Revenues and Expenditures Compared to Budget

For the year ended June 30, 2013

	Budget	Actual	Over (Under) Budget
Revenues			
Other Sources			
Interest on investments	\$ -	\$ -	\$ -
Other revenue	22,000	13,409	(8,591)
Total revenues	\$ 22,000	\$ 13,409	\$ (8,591)
Expenditures			
Institutional Support			
Salaries	\$ -	\$ -	\$ -
Employee benefits	-	-	-
Contractual services	-	-	-
General materials and supplies	-	-	-
Conferences and meetings	-	-	-
Fixed charges	-	52,311	52,311
Capital outlay	-	-	-
Other	6,500	12,752	6,252
Total institutional support	6,500	65,063	58,563
Total expenditures	\$ 6,500	\$ 65,063	\$ 58,563
Other financing sources of funds:			
Bond proceeds	\$ 2,000,000	\$ 1,945,000	\$ (55,000)
Premium on debt issued	-	107,311	107,311
Operating transfer out	(15,500)	(657)	14,843
Total other financing sources of funds	\$ 1,984,500	\$ 2,051,654	\$ 67,154

Highland Community College District #519

Schedule of Tort Expenditures

For the year ended June 30, 2013

Risk management related salaries and benefits	\$	454,807
Insurance		221,415
Legal services		65
Security and safety related		288,679
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Total tort expenditures	\$	964,966
<hr/>		

Highland Community College District #519

Capital Projects

Operations and Maintenance Fund - Restricted

Schedule of Revenues and Expenditures Compared to Budget

For the year ended June 30, 2013

	Budget	Actual	Over (Under) Budget
Revenues			
Local Governmental Sources			
Current taxes	\$ 122,700	\$ 25,073	\$ (97,627)
Back taxes	102,300	225,000	122,700
Total local government sources	225,000	250,073	25,073
State Governmental Sources			
Deferred Maintenance Grant	-	-	-
ADA Grant	-	-	-
Total state government sources	-	-	-
Other Sources			
Other gifts/revenue	-	-	-
Interest on investments	-	1,514	1,514
Total other sources	-	1,514	1,514
Total revenues	\$ 225,000	\$ 251,587	\$ 26,587
Expenditures			
Capital Projects			
Contractual services	\$ 78,614	\$ 50,356	\$ (28,258)
General materials & supplies	6,747	-	(6,747)
Capital outlay	670,474	640,998	(29,476)
Total expenditures	\$ 755,835	\$ 691,354	\$ (64,481)
Other financing sources (uses)			
Bond proceeds	\$ -	\$ -	\$ -
Capital lease proceeds	-	100,239	100,239
Operating transfers out	-	(71,557)	(71,557)
Total other financing sources	\$ -	\$ 28,682	\$ 28,682

Highland Community College District #519

Fiduciary Funds

Agency Funds

Schedule of Yearly Activity By Individual Account

For the year ended June 30, 2013

	Balance 6/30/2012	Receipts	Disburse- ments	Equity Transfers In/Out	Balance 6/30/2013
Ski Club	\$ (250)	\$ -	\$ -	\$ -	\$ (250)
Diversity at its Best	291	-	16	-	275
Student Clubs	(2,735)	-	-	-	(2,735)
Baseball Fundraising	-	168	-	-	168
Softball Fundraising	-	912	1,116	-	(204)
Art Club	(4,366)	-	-	-	(4,366)
The Chronicle	(347)	-	-	-	(347)
Phi Rho Pi	(812)	-	-	-	(812)
Royal Scots	(36,412)	1,200	4,535	-	(39,747)
RSVP petty cash	3,012	10,038	10,302	-	2,748
Jazz Band	(14,803)	1,897	822	-	(13,728)
Highland fellowship	783	-	-	-	783
SAVTES road and parking	54,406	5,000	8,712	-	50,694
HCC road and parking	81,975	5,000	8,712	-	78,263
YMCA road and parking	76,143	5,000	8,712	-	72,431
YMCA building/maintenance	41,251	10,000	4,970	-	46,281
HCC building/maintenance	55,194	10,000	4,970	-	60,224
HCC orchestra	57	-	-	-	57
Bicycle Club	(535)	-	-	-	(535)
Phi Theta Kappa	(5,015)	-	-	-	(5,015)
Popcorn Machine	(9)	-	-	-	(9)
Radio Club	(1)	-	4	-	(5)
Clay Club	(1,041)	-	-	-	(1,041)
YMCA/HCC interest	94,350	498	-	-	94,848
Trip Club	413	-	-	-	413
Forensics Scholarship Fund	924	-	-	-	924
Current Issues Club	(289)	-	-	-	(289)
Theatre Club	(1,806)	100	208	-	(1,914)
Spring Show	(492)	-	-	-	(492)
Humanities	(114)	-	-	-	(114)
VICA	2	-	-	-	2

Highland Community College District #519

Fiduciary Funds

Agency Funds

Schedule of Yearly Activity By Individual Account (Continued)

For the year ended June 30, 2013

	Balance 6/30/2012	Receipts	Disburse- ments	Equity Transfers In/Out	Balance 6/30/2013
Friends of Highland	(123)	401	-	-	278
Cougar Backers	221	12,956	5,512	-	7,665
Basketball Fan Club	1,397	10,139	9,988	-	1,548
AAWCJC	38	-	-	-	38
Parent Support Network	505	-	-	-	505
Environmental Club	872	1,441	515	-	1,798
LAC Placement	5,610	1,858	269	-	7,199
Nurses pinning ceremony	(1,686)	-	53	-	(1,739)
ADN FY98	(62)	-	-	-	(62)
Minority mentors	236	-	-	-	236
Circle K	196	-	-	-	196
Extracurricular activities	(4,390)	-	-	-	(4,390)
Alpha Beta Gamma	(100)	-	-	-	(100)
International Club	688	-	-	-	688
Madrigal dinner	3,776	13,816	14,754	-	2,838
Summerset Reunion	(37)	-	-	-	(37)
Physics Club	491	200	363	-	328
VoTech Auto Sales	4,034	1,000	-	-	5,034
Adult student network	1	305	295	-	11
Natural Science Dept Donation	-	500	87	-	413
Pep Band	-	300	253	-	47
Psychology Club	-	250	217	-	33
Flex fund	9,011	109,232	103,208	-	15,035
S.T.A.R.T	216	-	-	-	216
	\$ 360,668	\$ 202,211	\$ 188,593	\$ -	\$ 374,286

Highland Community College District #519

Schedule of Assessed Valuations, Rates, and Taxes Extended Governmental Fund Types

LEVY YEARS 2012, 2011, AND 2010

	2012 Levy	2011 Levy	2010 Levy
Assessed valuation	\$ 1,723,242,610	\$ 1,783,112,157	\$ 1,846,385,233
Tax Rates (per \$100 of assessed valuation)			
Education Fund	0.2800	0.2800	0.2800
Operations, and Maintenance Fund	0.0750	0.0750	0.0750
Prior year adjustment	-	0.0005	-
Insurance	0.0517	0.0480	0.0526
Audit Fund	0.0027	0.0023	0.0023
Protection, Health & Safety	0.0029	0.0216	0.0268
Bond and Interest	0.0570	0.0493	0.0333
Social Security	0.0086	0.0085	0.0083
Total	0.4779	0.4853	0.4783
Taxes Extended			
Education Fund	\$ 4,825,079	\$ 4,992,714	\$ 5,169,879
Operations, and Maintenance Fund	1,292,432	1,337,334	1,384,790
Education and O&M additional	-	6,934	3,263
Insurance	891,117	890,117	887,583
Audit Fund	46,135	44,043	43,984
Protection, Health & Safety	50,183	450,057	398,918
Bond and Interest	986,221	924,621	909,993
Social Security	148,235	157,080	156,668
Total	\$ 8,239,402	\$ 8,802,900	\$ 8,955,078

Highland Community College District #519

Schedule of Assessed Valuations and Tax Extensions by County Governmental Fund Types

LEVY YEARS 2012, 2011, AND 2010

	<u>2012 Levy</u>	<u>2011 Levy</u>	<u>2010 Levy</u>
<i>Assessed valuations</i>			
Carroll	\$ 238,197,000	\$ 254,321,151	\$ 281,236,787
Jo Daviess	724,725,712	760,322,275	791,567,040
Ogle	124,888,669	127,362,772	129,600,669
Stephenson	635,431,229	641,105,959	643,980,737
Total	<u>\$ 1,723,242,610</u>	<u>\$ 1,783,112,157</u>	<u>\$ 1,846,385,233</u>
<i>Tax extensions</i>			
<u>Educational</u>			
Carroll	\$ 666,952	\$ 712,099	\$ 787,463
Jo Daviess	2,029,232	2,128,902	2,216,388
Ogle	349,688	356,616	362,882
Stephenson	1,779,207	1,795,097	1,803,146
	<u>4,825,079</u>	<u>4,992,714</u>	<u>5,169,879</u>
<u>Operation and Maintenance</u>			
Carroll	178,648	190,741	210,928
Jo Daviess	543,544	570,242	593,675
Ogle	93,667	95,522	97,201
Stephenson	476,573	480,829	482,986
	<u>1,292,432</u>	<u>1,337,334</u>	<u>1,384,790</u>
<u>Insurance</u>			
Carroll	123,600	126,957	135,106
Jo Daviess	374,321	379,553	381,614
Ogle	64,805	63,567	61,495
Stephenson	328,391	320,040	309,368
	<u>891,117</u>	<u>890,117</u>	<u>887,583</u>
<u>Audit</u>			
Carroll	6,408	6,282	6,693
Jo Daviess	19,350	18,780	18,918
Ogle	3,347	3,146	3,046
Stephenson	17,030	15,835	15,327
	<u>46,135</u>	<u>44,043</u>	<u>43,984</u>

Highland Community College District #519

Schedule of Assessed Valuations and Tax Extensions by County (Continued) Governmental Fund Types

LEVY YEARS 2012, 2011, AND 2010

	2012 Levy	2011 Levy	2010 Levy
<i>Tax extensions (continued)</i>			
<u>Protection, Health, & Safety</u>			
Carroll	6,955	64,191	60,719
Jo Daviess	21,090	191,905	171,533
Ogle	3,647	32,146	27,631
Stephenson	18,491	161,815	139,035
	50,183	450,057	398,918
<u>Bond and Interest</u>			
Carroll	136,249	131,357	137,975
Jo Daviess	414,688	394,683	391,667
Ogle	71,436	65,783	62,804
Stephenson	363,848	332,798	317,547
	986,221	924,621	909,993
<u>Social Security</u>			
Carroll	20,556	22,406	23,849
Jo Daviess	62,254	66,984	67,362
Ogle	10,778	11,208	10,848
Stephenson	54,647	56,482	54,609
	148,235	157,080	156,668
<u>Prior Year Adjustment</u>			
Carroll	-	1,297	1,547
Jo Daviess	-	-	-
Ogle	-	2,624	(1,633)
Stephenson	-	3,013	3,349
	-	6,934	3,263
Total	\$ 8,239,402	\$ 8,802,900	\$ 8,955,078

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Highland Community College District #519

Summary Schedule of Taxes Receivable and Tax Collections Governmental Fund Types

For the year ended June 30, 2013

Year	Levy Valuation	Assessed Rate	Combined Taxes Extended	Total Collected to June 30, 2012
2011	\$ 1,783,112,157	0.4853	\$ 8,802,900	\$ 3,031,946
2012	1,723,242,610	0.4779	8,239,402	-
Total	\$ 3,506,354,767	0.9631	\$ 17,042,302	\$ 3,031,946

2012 Property Taxes Extended

	Uncollected June 30, 2013
Education	\$ 4,195,271
Operations, and Maintenance	1,123,733
Insurance	773,878
Audit	39,987
Protection, Health & Safety	43,600
Bond and Interest	852,973
Social Security	128,705
Difference due to estimated equalized assessed value	6,621
Total	\$ 7,164,768

Collected During Year Ended June 30, 2013	Total Collected to June 30, 2013	Percent Collected June 30, 2013	Allowance for Uncollectible Taxes	Balance After Allowance
\$ 5,679,801	\$ 8,711,747	98.96%	\$ -	\$ -
1,074,634	1,074,634	13.04%	-	7,164,768
<u>\$ 6,754,435</u>	<u>\$ 9,786,381</u>	<u>57.42%</u>	<u>\$ -</u>	<u>\$ 7,164,768</u>

Highland Community College District #519

Schedule of Legal Debt Margin

For the year ended June 30, 2013

<u>Assessed valuation - 2012 levy</u>	<u>\$ 1,723,242,610</u>
Debt limit, 2.875% of assessed valuation	\$ 49,543,225
<u>Total long-term debt</u>	<u>8,338,736</u>
<u>Legal debt margin</u>	<u>\$ 41,204,489</u>

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Highland Community College District #519

All Funds Summary

Uniform Financial Statement #1, Fiscal Year 2013

	Education Fund	Operations & Mainten- ance Fund	Operations & Mainten- ance Fund (Restricted)	Bond and Interest Fund
Fund balance, July 1, 2012	\$ 3,575,246	\$ (87,286)	\$ 1,895,305	\$ 481,560
Revenues				
Local tax revenue	5,034,254	1,564,110	250,073	950,977
All other local revenue	-	-	-	-
ICCB grants	1,512,946	200,325	-	-
All other state revenue	-	-	-	-
Federal revenue	174,825	-	-	-
Student tuition and fees	5,000,194	-	-	-
All other revenue	393,192	75,929	1,514	27,027
Total revenue	12,115,411	1,840,364	251,587	978,004
Expenditures				
Instruction	6,449,743	-	-	-
Academic support	772,258	-	-	-
Student services	1,320,361	-	-	-
Public service	480,163	-	-	-
Organized research	-	-	-	-
Auxiliary services	-	-	-	-
Operations and maintenance	-	1,689,632	509,940	-
Institutional support	3,037,108	-	181,414	1,165,542
Scholarships, grants, waivers	222,389	-	-	-
Total expenditures	12,282,022	1,689,632	691,354	1,165,542
Other financing sources	-	-	100,239	437,267
Net transfers	72,214	-	(71,557)	-
Fund balance, June 30, 2013	\$ 3,480,849	\$ 63,446	\$ 1,484,220	\$ 731,289

Restricted Purpose Fund	Auxiliary Enterprises Fund	Working Cash Fund	Audit Fund	Liability, Protection, and Settlement Fund
\$ 791,863	\$ 201,467	\$ 5,851,128	\$ 21,067	\$ 847,575
-	-	-	44,997	1,042,540
-	-	-	-	-
418,411	-	-	-	-
151,011	-	-	-	-
9,225,967	-	-	-	-
359,878	85,329	-	-	-
318,331	1,506,922	13,409	-	4,064
10,473,598	1,592,251	13,409	44,997	1,046,604
670,476	-	-	-	-
317,401	-	-	-	-
466,526	-	-	-	-
2,719,841	29,540	-	-	-
-	-	-	-	-
-	1,584,258	-	-	-
-	-	-	-	484,769
891,784	-	65,063	46,800	480,197
5,695,125	-	-	-	-
10,761,153	1,613,798	65,063	46,800	964,966
-	-	2,052,311	-	-
-	-	(657)	-	-
\$ 504,308	\$ 179,920	\$ 7,851,128	\$ 19,264	\$ 929,213

Highland Community College District #519

All Funds Summary (Continued)

Uniform Financial Statement #1, Fiscal Year 2013

	Total
Fund balance, July 1, 2012	\$ 13,577,925
Revenues	
Local tax revenue	8,886,951
All other local revenue	-
ICCB grants	2,131,682
All other state revenue	151,011
Federal revenue	9,400,792
Student tuition and fees	5,445,401
All other revenue	2,340,388
Total revenue	28,356,225
Expenditures	
Instruction	7,120,219
Academic support	1,089,659
Student services	1,786,887
Public service	3,229,544
Organized research	-
Auxiliary services	1,584,258
Operations and maintenance	2,684,341
Institutional support	5,867,908
Scholarships, grants, waivers	5,917,514
Total expenditures	29,280,330
Other financing sources, bond proceeds	2,589,817
Net transfers	-
Fund balance, June 30, 2013	\$ 15,243,637

Highland Community College District #519

Summary of Fixed Assets and Debt Uniform Financial Statement #2

Fiscal Year ended June 30, 2013

	Fixed Asset/Debt Account Groups June 30, 2012	Additions	Deletions	Fixed Asset/Debt Account Groups June 30, 2013
Fixed Assets				
Sites and improvements	\$ 3,719,328	\$ 192,867	\$ -	\$ 3,912,195
Construction in process	-	-	-	-
Buildings, additions and improvements	24,322,578	8,500	-	24,331,078
Equipment	2,648,143	133,639	247,352	2,534,430
Technology	4,091,216	324,208	804,837	3,610,587
Total fixed assets	34,781,265	659,214	1,052,189	34,388,290
Accumulated depreciation	15,899,529	1,116,468	1,052,189	15,963,808
Net fixed assets	\$ 18,881,736	\$ (457,254)	\$ -	\$ 18,424,482
Debts				
Bonds Payable	\$ 2,855,000	\$ 1,945,000	\$ 815,000	\$ 3,985,000
Debt certificates	4,150,000	3,725,000	3,620,000	4,255,000
Accrued compensated absences	148,126	-	26,343	121,783
Capital lease payable	-	100,239	1,503	98,736
Unamortized premium on bonds	23,100	119,578	17,889	124,789
Total fixed liabilities	\$ 7,176,226	\$ 5,889,817	\$ 4,480,735	\$ 8,585,308

Highland Community College District #519

Operating Funds Revenues and Expenditures Uniform Financial Statement #3

Fiscal Year ended June 30, 2013

Operating Revenues by Source

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Local Government Revenue			
Local taxes	\$ 4,887,882	\$ 1,314,883	\$ 6,202,765
CPPRT	146,372	249,227	395,599
Total local government	5,034,254	1,564,110	6,598,364
State Government			
ICCB base operating grant	1,135,172	200,325	1,335,497
ICCB equalization grants	245,696	-	245,696
ICCB - Career and Technical Education	122,573	-	122,573
Other	9,505	-	9,505
Total state government	1,512,946	200,325	1,713,271
Federal Government			
Dept. of Education	54,164	-	54,164
Dept. of Labor	-	-	-
Other	120,661	-	120,661
Total federal government	174,825	-	174,825
Student Tuition & Fees			
Tuition	4,514,708	-	4,514,708
Fees	485,486	-	485,486
Total tuition & fees	5,000,194	-	5,000,194
Other Sources			
Sales and service fees	60,474	859	61,333
Facilities revenue	23,515	48,616	72,131
Investment revenue	2,683	-	2,683
Non-governmental grants	282,966	900	283,866
Other	23,554	25,554	49,108
Total other revenue	393,192	75,929	469,121
Total revenue	\$ 12,115,411	\$ 1,840,364	\$ 13,955,775

Highland Community College District #519

Operating Funds Revenues and Expenditures Uniform Financial Statement #3

Fiscal Year ended June 30, 2013

Operating Expenditures

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
By Program			
Instruction	\$ 6,449,743	\$ -	\$ 6,449,743
Academic support	772,258	-	772,258
Student services	1,320,361	-	1,320,361
Public service	480,163	-	480,163
Operations and Maintenance	-	1,689,632	1,689,632
Institutional support	3,037,108	-	3,037,108
Scholarships, grants, waivers	222,389	-	222,389
Transfers and other	-	-	-
Total expenditures	12,282,022	1,689,632	13,971,654
Less non-operating items*:			
Tuition chargeback	7,778	-	7,778
Transfers to Non-operating funds	(72,214)	-	(72,214)
Adjusted expenditures	\$ 12,217,586	\$ 1,689,632	\$ 13,907,218
By Object			
Salaries	\$ 8,078,614	\$ 766,452	\$ 8,845,066
Employee benefits	1,606,785	263,648	1,870,433
Contractual services	725,104	124,863	849,967
General materials and supplies	616,641	124,516	741,157
Library materials **	11,484	-	11,484
Conference and meeting expenses	164,919	604	165,523
Fixed charges	461,379	-	461,379
Utilities	55,568	638,004	693,572
Capital outlay	61,382	950	62,332
Student grants and scholarships**	222,389	-	222,389
Transfers and other	-	-	-
Other	511,630	(229,405)	282,225
Total expenditures	12,282,022	1,689,632	13,971,654
Less non-operating items*:			
Tuition chargeback	7,778	-	7,778
Transfers to non-operating funds	(72,214)	-	(72,214)
Adjusted expenditures	\$ 12,217,586	\$ 1,689,632	\$ 13,907,218

* Inter-college revenues that do not generate related local college credit hours are subtracted to allow for statewide comparisons.

** Non-add line

Highland Community College District #519

Restricted Purposes Fund - Revenues and Expenditures Uniform Financial Statement #4

Fiscal Year ended June 30, 2013

Revenues by Source

	Restricted Purposes Fund
State Government	
ICCB - Workforce Development Business/Industry Grants	\$ -
ICCB - Retirees Health Insurance Grant	-
ICCB - Other **	-
ICCB - Program Improvement Grant	142,331
ICCB - Adult Education	276,080
Dept. of Corrections	-
Other ***	151,011
Total state government	569,422
Federal Government	
Dept. of Education	6,151,887
Department of Labor	150,407
Other	2,923,673
Total federal government	9,225,967
Other Sources	
Tuition and fees	359,878
Other	318,331
Total other sources	678,209
Total restricted purposes fund revenues	\$ 10,473,598

Expenditures by Program

Instruction	\$ 670,476
Academic support	317,401
Student services	466,526
Public service/continuing education	2,719,841
Organized research	-
Auxiliary services	-
Operations and maintenance	-
Institutional support	891,784
Scholarships, grants and waivers	5,695,125
Total restricted purposes fund expenditures	\$ 10,761,153

Highland Community College District #519

Restricted Purposes Fund - Revenues and Expenditures (Continued) Uniform Financial Statement #4

Fiscal Year ended June 30, 2013

Expenditures by Object

	Restricted Purposes Fund
Salaries	\$ 1,640,430
Employee benefits	462,568
Contractual services	441,260
Student financial aid	5,695,985
General materials and supplies	129,221
Library materials*	-
Conference and meeting expenses	96,345
Fixed charges	127,410
Utilities	15,178
Capital outlay	53,084
Other	2,099,670
Student grants and scholarships*	5,695,985
Total restricted purposes fund expenditures	\$ 10,761,151

* Non-add line

State Government Detail

** ICCB other	Bridging the Gap	\$ -
	ICCB Student Success Grant	-
Total state sources other		\$ -

*** State sources other	Literacy Sec of State	\$ 47,478
	RSVP Department of Aging	23,305
	Secretary of State Family Literacy	30,228
	IL DCEO Wind Tech Bldg	50,000
Total state sources other		\$ 151,011

Highland Community College District #519

Current Funds - Expenditures by Activity Uniform Financial Statement #5

Fiscal Year ended June 30, 2013

Instruction

Instructional programs \$ 7,120,218

Academic Support

Library Center 274,549
Instructional Materials Center 61,020
Educational Media Services 386,141
Academic Computing Support 367,949
Other -

Total academic support 1,089,659

Student Services Support

Admissions and records 308,730
Counseling and career services 532,859
Financial aid administration 573,332
Other 371,967

Total student services support 1,786,888

Public Service/Continuing Education

Community education 183,686
Customized training (instructional) 2,600,123
Community services 445,736

Total public service/continuing education 3,229,545

Auxiliary Services

1,584,258

Operations and Maintenance of Plant

Maintenance 109,658
Custodial services 615,739
Grounds 136,042
Campus security 484,768
Transportation 31,992
Utilities 638,004
Administration 158,197
Other -

Total operations and maintenance of plant 2,174,400

Highland Community College District #519

Current Funds - Expenditures by Activity (Continued) Uniform Financial Statement #5

For the year ended June 30, 2013

Institutional Support

Executive management	264,093
Fiscal operations	564,617
Community relations	268,852
Administrative support services	557,358
Board of trustees	85,036
General institutions	1,616,504
Institutional research	133,815
Administrative data processing	965,614
Other	-

Total institutional support 4,455,889

Scholarships, Student Grants & Waivers 5,917,514

Total current funds expenditures \$ 27,358,371

* Current funds include the Education; Operations and Maintenance;
Auxiliary Enterprises; Restricted Purposes; Audit; Liability, Protection, and Settlement;
and PBC Operations and Maintenance funds.

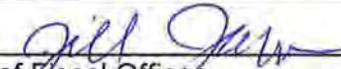
Highland Community College District 519

Certification of Chargeback Reimbursement for Fiscal Year 2014

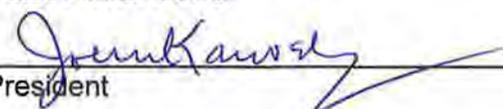
For the year ended June 30, 2013

All Fiscal Year 2013 Noncapital Audited Operating Expenditures from the Following Funds:

1. Education Fund	\$ 12,220,456
2. Operations and Maintenance Fund	1,688,682
3. Public Building Commission Operation and Maintenance Fund	-
4. Bond and Interest Fund	1,165,542
5. Public Building Commission Rental Fund	-
6. Restricted Purposes Fund	6,221,935
7. Audit Fund	46,800
8. Liability, Protection, and Settlement Fund	964,966
9. Auxiliary Enterprises Fund (subsidy only)	-
10. Total non-capital audited expenditures	22,308,381
11. Depreciation on capital outlay expenditures (equipment, buildings, and fixed equipment paid) from sources other than state and federal funds	1,157,176
12. TOTAL COSTS INCLUDED	\$ 23,465,557
13. Total certified semester credit hours for FY 2013	46,626.50
14. PER CAPITA COST	\$ 503.27
15. All FY 2013 state and federal operating grants for noncapital expenditures, except ICCB grants	\$ 5,697,737
16. FY 2013 state and federal grants per semester credit hour	122.20
17. District's average ICCB grant rate (excluding equalization grants) for FY 2014	24.57
18. District's student tuition and fee rate per semester credit hour for FY 2014	115.00
19. Chargeback reimbursement per semester credit hour	\$ 241.50

Approved: 
Chief Fiscal Officer

Date 10/4/13

Approved: 
President

Date 10/4/13

ICCB State Grant Financial Compliance Section

Independent Auditor's Report on Compliance with State Requirements for Career and Technical Education Program Improvement Grants and State Adult Education and Family Literacy Grants

Board of Directors
Highland Community College District #519
Freeport, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the Career and Technical Education-Program Improvement and State Adult Education and Family Literacy Grants of Highland Community College District #519 as of and for the year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the grant policy guidelines of the Illinois Community College Board's *Fiscal Management Manual*. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Opinion

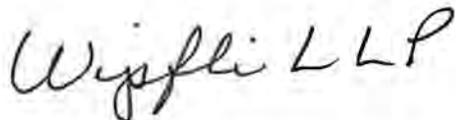
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Career and Technical Education-Program Improvement and State Adult Education and Family Literacy Grants of Highland Community College, Illinois Community College District #519 as of June 30, 2013, and the changes in financial position thereof and for the year ended in accordance with accounting principles generally accepted in the United States of America.

Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Highland Community College, Illinois Community College #519 failed to materially comply with the provisions of laws, regulations, contracts and grants between Highland Community College and the State of Illinois and the Illinois Community College Board. However, our audit was not directed primarily toward obtaining knowledge of all such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the College's noncompliance with the above referenced laws, regulations, contracts and grants. We also believe that the District is materially in compliance with the provisions of laws, contracts, and ICCB policy guidelines for restricted grants.

Emphasis of Matter

As described more fully in Note (1), these financial statements present only the Career and Technical Education-Program Improvement and State Adult Education and Family Literacy Grants and are not intended to present fairly the financial position and results of operations of Highland Community College District #519 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Wipfli LLP".

Freeport, Illinois
October 8, 2013

Highland Community College District #519

Career and Technical Education-Program Improvement Balance Sheet

For the year ended June 30, 2013

Assets

Cash	\$	-
------	----	---

Liabilities and Fund Balance

Accounts payable	\$	-
------------------	----	---

Cash overdraft		-
----------------	--	---

Fund balance - unreserved		-
---------------------------	--	---

Total liabilities and fund balance	\$	-
------------------------------------	----	---

Highland Community College District #519

Career and Technical Education Grant Program Statement of Revenues, Expenditures, and Changes in Fund Balance

For the year ended June 30, 2013

	Actual
Revenue	
State sources	\$ 9,953
Expenditures	
Current year's grant	
Contractual services	-
Materials and supplies	7,453
Conference and meeting expenses	2,500
Other expenditures	-
Total expenditures	9,953
Excess (shortage) of revenue over (under) expenditures	-
Transfer in (out) from (to) other funds	-
Fund balance, July 1, 2012	-
Fund balance, June 30, 2013	\$ -

Highland Community College District #519

State Adult Education and Family Literacy Restricted Funds Balance Sheet

June 30, 2013

	State Basic	Public Assistance	Performance	Total (Memorandum Only)
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Accounts receivable	6,079	4,915	4,684	15,678
Total assets	\$ 6,079	\$ 4,915	\$ 4,684	\$ 15,678
Liabilities and Fund Balance				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Cash overdraft	6,079	4,915	4,533	15,527
Accrued expenses	-	-	151	151
Total liabilities	6,079	4,915	4,684	15,678
Fund balance	-	-	-	-
Total liabilities and fund balance	\$ 6,079	\$ 4,915	\$ 4,684	\$ 15,678

Highland Community College District #519

State Adult Education and Family Literacy Restricted Funds Statement of Revenues, Expenditures, and Changes in Fund Balance

For the year ended June 30, 2013

	Actual			
	State Basic	Public Assistance	Performance	Total
Revenue				
State sources	\$ 72,938	\$ 58,991	\$ 56,195	\$ 188,124
Expenditures				
Instruction	41,222	37,638	11,680	90,540
Social work services	13,447	9,061	-	22,508
Student transportation services	-	-	-	-
Literacy Services	442	301	-	743
Guidance services	10,222	6,752	3,287	20,261
Assessment & Testing	2,842	1,978	11,092	15,912
Child Care Services	-	-	-	-
Improvement of instructional services	405	299	1,985	2,689
General administration	843	573	7,570	8,986
Operation & maintenance of plant services	-	-	603	603
Workforce coordination	-	-	3,381	3,381
Data & information services	3,515	2,389	16,597	22,501
Total expenditures	72,938	58,991	56,195	188,124
Excess of revenue over (under) expenditures	-	-	-	-
Transfers from (to) other funds	-	-	-	-
Excess of revenue over (under) expenditures and transfers	-	-	-	-
Fund balance, July 1, 2012	-	-	-	-
Fund balance, June 30, 2013	\$ -	\$ -	\$ -	\$ -

Highland Community College District #519

ICCB Compliance Statement for the State Adult Education and Family Literacy Restricted Funds Expenditure Amounts and Percentages for ICCB Grant Funds Only

For the year ended June 30, 2013

State Basic	Audited Expenditure Amount	Actual Expenditure Percentage
Instruction (45% Minimum Required)	41,222	56.52%
General Administration (9% Maximum Allowed)	843	1.16%

State Public Assistance	Audited Expenditure Amount	Actual Expenditure Percentage
Instruction (45% Minimum Required)	37,638	63.80%
General Administration (9% Maximum Allowed)	573	0.97%

Highland Community College District #519

Notes to ICCB State Grant Financial Statements

Note 1 Summary of Significant Accounting Policies

a. **General**

The preceding statements (pages 87 - 91) include only those transactions resulting from the Illinois Community College Board (ICCB) Career and Technical Education-Program Improvement and Adult Education and Family Literacy Grants. These transactions have been accounted for in the Restricted Purposes Fund.

b. **Basis of Accounting**

The statements have been prepared on the modified accrual basis. Expenditures include all accounts payable representing liabilities for goods and services actually received as of June 30, 2013. Funds obligated for goods prior to June 30 for which the goods are received prior to August 31, 2013 are recorded as encumbrances. Unexpended funds are reflected as a reduction to fund balance and a liability due to the ICCB by October 15.

c. **Fixed Assets**

Fixed asset purchases are recorded as a capital outlay and are not capitalized.

Note 2 Payments of Prior Year's Encumbrances

Payments of prior year's encumbrances for goods received prior to August 31 are reflected as expenditures during the current fiscal year.

Independent Auditor's Report on the Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed and Reconciliation of Semester Credit Hours

Board of Trustees
Highland Community College District #519
Freeport, Illinois

Report on the Schedule

We have audited the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed and Reconciliation of Semester Credit Hours of Highland Community College, Illinois Community College District #519 for the year ended June 30, 2013.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of this schedule in accordance with the guidelines of the Illinois Community College Board's Fiscal Management Manual; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidelines of the Illinois Community College Board's Fiscal Management Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, 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 schedule 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 schedule.

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

Opinion

In our opinion, the Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed and Reconciliation of Semester Credit Hours referred to above presents fairly, in all material respects, the student enrollment and other bases upon which claims are filed and the reconciliation of semester credit hours of Highland Community College, Illinois Community College District #519 for the year ended June 30, 2013, in conformity with the guidelines of the Illinois Community College Board's Fiscal Management Manual.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Highland Community College, Illinois Community College District #519 as of and for the year ended June 30, 2013, and our report thereon dated October 8, 2013, expressed as an unmodified opinion on those financial statements.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Freeport, Illinois
October 8, 2013

Highland Community College District 519

Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed

For the year ended June 30, 2013

Total Semester Credit Hours by Term (In-District and Out of District Reimbursable)

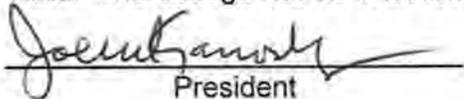
Categories	Summer		Fall		Spring		Total
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	
Baccalaureate	2,808.5	-	11,368.0	12.0	11,383.5	4.0	25,576.0
Business Occupational	224.0	-	939.0	-	1,293.0	-	2,456.0
Technical Occupational	329.0	30.0	2,373.0	-	3,499.5	-	6,231.5
Health Occupational	496.0	-	1,495.0	-	2,061.0	-	4,052.0
Remedial Developmental	408.0	-	2,677.0	18.0	2,119.0	72.0	5,294.0
Adult Basic Education/Adult Secondary Education	-	-	101.5	1,224.0	88.5	1,603.0	3,017.0
Total credit hours certified	4,265.5	30.0	18,953.5	1,254.0	20,444.5	1,679.0	46,626.5

	Attending In-District	Attending Out-of-District on Chargeback or Contractual Agreement	Total
Semester Credit Hours	42,877.0	1,028.0	43,905.0

Reimbursable Semester Credit Hours (All Terms)	Dual Credit	Dual Enrollment
	3,925.0	738.0

District 2012 Equalized Assessed Valuation \$ 1,723,242,610

Note: The College has no total reimbursable correctional Semester credit hours.


President


Chief Financial Officer

Highland Community College District #519

Reconciliation of Total Semester Credit Hours

For the year ended June 30, 2013

<u>Categories</u>	<u>Total Unrestricted Credit Hours</u>	<u>Total Unrestricted Credit Hours Certified to the ICCB</u>	<u>Difference</u>	<u>Total Restricted Credit Hours</u>	<u>Total Restricted Credit Hours Certified to the ICCB</u>	<u>Difference</u>
Baccalaureate	25,560.0	25,560.0	-	16.0	16.0	-
Business Occupational	2,456.0	2,456.0	-	-	-	-
Technical Occupational	6,201.5	6,201.5	-	30.0	30.0	-
Health Occupational	4,052.0	4,052.0	-	-	-	-
Remedial Developmental	5,204.0	5,204.0	-	90.0	90.0	-
Adult Basic Education/Adult Secondary Education	190.0	190.0	-	2,827.0	2,827.0	-
Total	<u>43,663.50</u>	<u>43,663.50</u>	<u>-</u>	<u>2,963.00</u>	<u>2,963.00</u>	<u>-</u>

Reconciliation of In-District/Chargeback Agreement Credit Hours

	<u>Total Attending</u>	<u>Total Attending Certified to ICCB</u>	<u>Difference</u>
In-District Residents	42,877.0	42,877.0	-
Out-of-District on Chargeback	1,028.0	1,028.0	-
	<u>Total Attending</u>	<u>Total Attending Certified to ICCB</u>	<u>Difference</u>
Dual Credit	3,925.0	3,925.0	-
Dual Enrollment	738.0	738.0	-

Highland Community College District #519

Process for Verifying the Residency Status of Students

In-District tuition is paid by individuals who meet the residency requirements and live in the high school districts of Dakota, East Dubuque, Eastland, Forrestville Valley, Freeport, Galena, Lena-Winslow, Mt. Carroll, Orangeville, Oregon, Pearl City, River Ridge, Savanna, Scales Mound, Stockton, and Warren.

Any student who has occupied a dwelling within the District for at least 30 days immediately prior to the scheduled beginning of classes is considered In-District. Proof of residency is verified by the District by obtaining any two of the five criteria:

- 1) Living with parents whose legal residence is within Highland's District.
- 2) Current driver's license.
- 3) Tax, utility, or rent receipt.
- 4) Voter's registration.
- 5) Other verification of residency.

Students may not attain In-District status simply by attending classes at Highland for 30 days or more.

Students who move into the District for reasons other than attending Highland shall be exempt for the 30-day requirement if they demonstrate a verifiable interest in establishing permanent residency. Verification will consist of employment documentation, home purchase documents, and/or other legal documents.

Highland Community College District #519

Background Information on State Grant Activity

Unrestricted Grants

Base Operating Grants

General operating funds provided to colleges based upon credit enrollment.

Small College Grants

Funds provided to colleges with full-time equivalent enrollments of less than 2,500 students. Intended to help small colleges pay for some of the "fixed costs" of operating a smaller institution.

Equalization Grants

Grants provided to institutions with less than the statewide average local tax dollars available per full-time equivalent student.

Restricted Grants/Special Initiatives

Career and Technical Education-Program Improvement Grants

Grant funding recognizes that keeping career and technical education programs current and reflective of the highest quality practices in the workplace is necessary to prepare students to be successful in their chosen careers and to provide employers with the well-trained workforce they require. The grant funds are dedicated to enhancing instruction and academic support activities to strengthen and improve career and technical programs and services.

Statewide Initiatives

Special Incentive Grants - A new request to provide flexible funding for unique initiatives needed in the community college system. The grants will be awarded on a Request for Proposal basis and will focus on higher education priorities such as accessibility, affordability, productivity, partnerships, quality, and responsiveness. In addition, a significant proportion of the dollars available will focus on improving the availability of qualified information technology employees in the State of Illinois.

Other Grants - These other grants are additional contractual grants provided for special or specific system related initiatives. These grants are supported by signed contracts between the college and the State of Illinois. A brief description of each grant should be included in this section. A description of the grants supported by grant agreements may be found in the appendix of the grant agreement governing these grants.

Highland Community College District #519

Background Information on State Grant Activity (Continued)

Restricted Grants/State

State Basic

Grant awarded to Adult Education and Family Literacy providers to establish special classes for the instruction of persons of age 21 and over or persons under the age of 21 and not otherwise in attendance in public school for the purpose of providing adults in the community, and other instruction as may be necessary to increase their qualifications for employment or other means of self-support and their ability to meet their responsibilities as citizens including courses of instruction regularly accepted for graduation from elementary or high schools and for Americanization and General Education Development Review classes. Included in this grant are funds for support services, such as student transportation and child care facilities or provision.

Public Assistance

Grant awarded to Adult Education and Family Literacy providers to pay for instruction, fees, books, and materials incurred in the program for students who are identified as recipients of public assistance.

Performance

Grant awarded to Adult Education and Family Literacy providers based on performance outcomes.

Annual Federal Financial Compliance Section

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Trustees
Highland Community College
District #519
Freeport, Illinois

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 the business-type activities, and the aggregate discretely presented component unit of Highland Community College, Illinois Community College District #519 as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 Highland Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of the Highland Community 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 entity'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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Highland Community College's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Freeport, Illinois
October 8, 2013

Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

To the Board of Trustees
Highland Community College
District #519
Freeport, Illinois

Report on Compliance for Each Major Federal Program

We have audited the Highland Community College, Illinois Community College District #519's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Highland Community College District #519's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Highland Community College District #519 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of Highland Community College District #519 as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise Highland Community College #519's basic financial statements. We issued our report thereon dates October 8, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a

required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Freeport, Illinois
October 8, 2013

Highland Community College District #519

Schedule of Expenditure of Federal Awards

	<u>CFDA* Number</u>	<u>Federal Grant Number</u>	<u>Revenue</u>	<u>Expenditures</u>
<u>Federal Grantor/Pass-Through Grantor/Program Title:</u>				
<u>U.S. Department of Education:</u>				
Direct Programs				
Supplemental Education Opportunity Grant FY 13 **	84.007	P007A121164	\$ 45,068	\$ 45,068
Federal Work Study Program FY 13 **	84.033	P033A121164	83,945	83,945
Pell Grant Program FY 13 **	84.063	P063P121346	3,696,790	3,696,790
Pell Grant Program Administrative Allowance FY 13 **	84.063	P063P121346	4,875	4,875
Federal Direct Student Loans**	84.268	P268K131346	<u>1,951,895</u>	<u>1,951,895</u>
Total Student Financial Aid cluster			<u>5,782,573</u>	<u>5,782,573</u>
Title IV Grant 2013, Upward Bound Program	84.047A	P047A070311-08	43,837	43,837
Title IV Grant 2012, Upward Bound Program	84.047A	P047A070311-08	87,103	87,103
Title IV Grant 2013, Student Support Services	84.042A	P042A100463-12	181,317	181,317
Title IV Grant 2012, Student Support Services	84.042A	P042A100463-11	<u>57,057</u>	<u>57,057</u>
Total Trio Grant cluster			<u>369,314</u>	<u>369,314</u>
Passed through the Illinois Community College Board:				
CTE Perkins Postsecondary	84.048A	CTE51913	132,379	132,379
CTE (Innovation Grant)	84.048	9519	2,718	2,718
Federal Basic	84.002A	51-901	69,991	69,991
EI/Civics	84.002A	51-901	<u>17,965</u>	<u>17,965</u>
Total U.S. Department of Education			<u>6,374,940</u>	<u>6,374,940</u>

Highland Community College District #519

Schedule of Expenditure of Federal Awards (Continued)

	<u>CFDA*</u> <u>Number</u>	<u>Federal</u> <u>Grant</u> <u>Number</u>	<u>Revenue</u>	<u>Expenditures</u>
<u>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency	97.036	PA-05-IL-1960-PW		
<u>U.S. Department of Agriculture:</u>				
Passed through the ISBE:				
Summer Foods Service	10.559		2,494	2,494
<u>U.S. Department of Labor:</u>				
Passed through the Illinois Department of Commerce and Economic Opportunity:				
IGEN-TAA	17.282	TC-225171160A17	150,407	150,407
Trade Adjustment Act**	17.245	12-653004	245,526	245,526
		11-661004	333,599	333,599
		10-662004	233,931	233,931
		10-661004	16,612	16,612
Staffing Grant**		11-653004	<u>133,686</u>	<u>133,686</u>
			963,354	963,354
WIA 10% Statewide	17.267	10-672004	19,961	19,961
WIA Adult Program**	17.258	12-681004	1,063,875	1,063,875
		11-681004	501,245	501,245
WIA Dislocated Worker**	17.278	09-741004	<u>48,428</u>	<u>48,428</u>
Total WIA cluster			<u>1,613,548</u>	<u>1,613,548</u>
Total U.S. Department of Labor			<u>2,747,270</u>	<u>2,747,270</u>

Highland Community College District #519

Schedule of Expenditure of Federal Awards (Continued)

	<u>CFDA*</u> <u>Number</u>	<u>Federal</u> <u>Grant</u> <u>Number</u>	<u>Revenue</u>	<u>Expenditures</u>
<u>U.S. Department of Health & Human Services:</u>				
Direct Program - Retired Senior Volunteer Program (RSVP)	94.002	13SRNIL008	46,684	46,684
<u>National Science Foundation:</u>				
Direct Program Grant	47.076	1003448	<u>317,401</u>	<u>317,401</u>
Total Activity of Federal Awards			<u>\$9,488,789</u>	<u>\$9,488,789</u>

* Catalog of Federal Domestic Assistance Number.

** Denotes a major program

Highland Community College District #519

Notes to Schedule of Expenditure of Federal Awards

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Highland Community College District #519 under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of Highland Community College District #519, it is not intended to and does not present the financial position, changes in net position or cash flows of Highland Community College District #519.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, Cost Principles for Education Institutions, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 Sub-Recipients

For the year ended June 30, 2013, the District had no sub-recipients of federal funds.

Note 4 Nonmonetary Assistance

For the year ended June 30, 2013, the District received no federal funds in the form of nonmonetary assistance.

Note 5 Other Federal Award Information

Highland Community College District #519 has no loans or loan guarantees at fiscal year end June 30, 2013.

Highland Community College District #519

Schedule of Findings and Questioned Costs

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- * Material weakness identified? Yes No
- * Significant deficiency identified that is not considered to be a material weakness Yes None

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes No
- Significant deficiency identified that is not considered to be a material weakness Yes None

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
Student Financial Aid Cluster:	
84.007	Federal Supplemental Educational Opportunity Grant
84.268	Federal Direct Student Loans
84.033	Federal Work-Study Program
84.063	Federal PELL Grant Program
WIA Grant Cluster:	
17.258	Workforce Investment Act
17.278	Workforce Investment Act Dislocated Worker
WIA Grant:	
17.245	Workforce Investment Act Trade Adjustment

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low risk auditee? Yes No

Highland Community College District #519

Schedule of Findings and Questioned Costs (Continued)

II. Findings Relating to the Basic Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Significant Deficiencies in Internal Control

The audit disclosed no matters involving internal control over financial reporting and its operations that are considered to be material weaknesses.

B. Compliance Findings

The audit disclosed no instances of noncompliance which are material to the basic financial statements of Highland Community College as of and for the year ended June 30, 2013.

III. Findings and Questioned Costs for Federal Awards

A. Significant Deficiencies in Administering Federal Awards

None

B. Compliance Findings

None

Highland Community College District #519

Corrective Action Plan

<u>Current Number</u>	<u>Comment</u>	<u>Corrective Action Plan</u>	<u>Completion</u>	<u>Person</u>
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None

Prior Year Findings:

<u>Number</u>	<u>Comment</u>	<u>Status</u>	<u>Corrective Action or Other Explanation</u>
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None

Highland Community College District #519

Auditor's Information

Freeport, Illinois

Lead Auditor: Gregory A. Dunham
Wipfli LLP

Tel. No.: (815) 233-1512

The audit was performed between July 1, 2013 and October 8, 2013 at the institution's facilities as follows:

<u>Location</u>	<u>Description of Facility (Admin. of SFA offices, main campuses, etc.)</u>	<u>Dates Visited</u>
Freeport, Illinois	Main Campus	July 1, 2013 - October 8, 2013

Institution's Accrediting Organization: North Central Association of Colleges
and Secondary Schools

The institution does not utilize an SFA Consultant/Service.

Records for the accounting and administration of the SFA programs are located at Highland Community College, Pearl City Road, Freeport, Illinois.