

Highland Community College District #519

Freeport, Illinois

Annual Financial Report

June 30, 2014

Highland Community College District #519

Year Ended June 30, 2014

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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, 2014, 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 opinions.

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, 2014, 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.

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.

Supplementary Financial Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Supplementary Financial Information as listed in the table of contents on pages 43 through 82 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 68 through 82 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 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 43 through 67 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, 2014 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, 2014

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, 2014. 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, 2014 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, 2014 reflects the District's adoption of certain GASB statement's relating to component units. Under these statements, 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. 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>2014</u>	<u>2013</u>
Assets:		
Current Assets	\$22,366,877	\$23,343,272
Non-current Assets:		
Capital (Fixed) assets	<u>17,707,812</u>	<u>18,424,482</u>
Total assets	<u>\$40,074,689</u>	<u>\$41,767,754</u>
Total deferred outflows of resources	<u>\$ 190,796</u>	<u>\$ 210,879</u>
Liabilities:		
Current Liabilities	\$ 4,754,155	\$ 5,136,207
Non-current Liabilities	<u>6,136,019</u>	<u>7,350,427</u>
Total liabilities	<u>\$10,890,174</u>	<u>\$12,486,634</u>
Total deferred inflows of resources	<u>\$ 4,004,673</u>	<u>\$ 4,116,391</u>
Net Position:		
Net investment in capital assets	\$12,311,183	\$12,810,957
Restricted, expendable:		
Capital projects	1,309,720	1,484,220
Debt service	722,843	731,289
Working cash	7,851,128	7,851,128
Other	685,589	504,308
Unrestricted	<u>2,490,175</u>	<u>1,782,827</u>
Total net position	<u>\$25,370,638</u>	<u>\$25,164,729</u>

Current assets consist primarily of cash, investments, and property taxes receivable. Total current assets and deferred outflows cover current liabilities and deferred inflows 2.6 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 2014 include computer replacement and sidewalk work. Other projects begun in fiscal year 2014, but not yet completed include an evaluation of campus electrical equipment for compliance with NFPA 70E.

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>2014</u>	<u>2013</u>
Total operating revenues	\$ 6,528,588	\$ 5,921,802
Total operating expenses	<u>26,639,964</u>	<u>29,662,125</u>
Operating loss	(20,111,376)	(23,740,323)
Nonoperating revenues (expenses)	<u>20,362,169</u>	<u>23,485,993</u>
Change in net position	250,793	(254,330)
Net position, beginning of year	<u>25,164,729</u>	<u>25,419,059</u>
Prior period adjustment	<u>(44,884)</u>	<u>-</u>
Net position, end of year	<u>\$25,370,638</u>	<u>\$25,164,729</u>

Sources of operating revenues for the District include: tuition and fees, \$3,903,730, auxiliary enterprises revenue, \$1,619,965, and other revenue, \$1,004,893. Nonoperating revenues and operating expenses include a State Universities Retirement System of Illinois (SURS) contribution provided by the State in the amount of \$3,461,583.

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, \$2,441,670, property and replacement taxes, \$8,550,315, and federal grants and contracts, \$6,067,262. The increase in net position for fiscal year 2014 is \$250,793.

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>2014</u>	<u>2013</u>
Instruction	\$ 9,352,821	\$ 8,883,182
Academic support	993,116	1,288,136
Student services	5,371,672	6,045,420
Public services	1,014,736	3,440,856
Operations and maintenance of plant	2,516,741	2,478,581
General administration	1,675,326	1,961,461
Independent operations	-	2,900
Institutional support	2,736,700	2,572,649
Auxiliary enterprises	1,603,063	1,613,799
Scholarships, grants, waivers	282,622	222,389
Capital projects	25,501	36,284
Depreciation	<u>1,067,666</u>	<u>1,116,468</u>
Total operating expenses	<u>\$26,639,964</u>	<u>\$29,662,125</u>
Interest expense and other	<u>\$178,088</u>	<u>\$486,265</u>

The main factors contributing to the increase in the District's operating revenues in fiscal year 2014 are the increase in tuition and fees revenue of \$305,024 and other revenue of \$274,049. Tuition and fees revenue, classified as operating revenue, increased 8% in fiscal year 2014.

Highland Community College District #519

Management Discussion and Analysis

Condensed Financial Information (Continued)

Changes in operating expenses from 2013 to 2014 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 increase in the District's net position totaling \$250,793. 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 decrease in the District's net position totaling \$131,729. The variance in results of \$382,522 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, 2014, of key importance is the fund balance in the Operating Funds, which decreased by \$116,299 from June 30, 2013 to June 30, 2014. This decrease was anticipated in the 2014 budget and results in a fund balance amount of \$3,427,996, which is 23% of the 2014 expenditures and is within Illinois Community College Board recommended guidelines. 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, 2014, the District invested \$350,996 in capital assets. This includes \$41,493 for buildings and improvements, and \$309,503 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)

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 2015.

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 4 year period. The average decrease in equalized assessed valuation (EAV) during this time period has been 3%. For fiscal year 2015, the District has estimated a 1% 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 an 8% decrease in tuition revenue in fiscal year 2015 based on an estimated 11% decrease in enrollment for the 2014-2015 academic year, combined with a \$3 increase in tuition.

The final State of Illinois budget for fiscal year 2015 reflects a \$130,295 (7%) decrease in Operating grants for the District. Overall, Operating funds revenue is expected to decrease by 3.8% from fiscal year 2014 to fiscal year 2015.

Anticipated Operating Funds revenues for fiscal year 2015 are about \$540,000 less than fiscal year 2014. 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 2015, the Operating funds budget includes expenditures in excess of revenues in the amount of \$508,100. 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 2015 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 and will undergo a similar process beginning in 2015. 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.
 - Increase 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, 2014

Assets		Primary Government	Component Unit	
			Highland Community College Foundation	
Current assets:				
Cash and cash equivalents	\$	4,159,615	\$	178,073
Investments		9,118,544		20,634,514
Receivables:				
Taxes		5,777,498		-
Related party		74,015		-
Other, net of \$1,298,738 allowance for doubtful accounts		2,732,631		1,272,899
Inventories		460,004		-
Prepaid expense		44,570		-
Total current assets		22,366,877		22,085,486
Non-current assets:				
Cash surrender value of life insurance		-		305,252
Land		110,000		-
Fixed assets		32,992,008		71,545
Less allowance for accumulated depreciation		(15,394,196)		(47,158)
Total non-current assets		17,707,812		329,639
Total assets		40,074,689		22,415,125
Deferred Outflows of Resources				
Deferred charge on refunding		190,796		-
Total deferred outflows of resources		190,796		-
Liabilities				
Current liabilities:				
Accounts payable		401,552		-
Accounts payable, related party		-		13,504
Accrued expenses		386,357		170,231

See accompanying notes to financial statements.

Agency deposits	423,012	-
Unearned tuition revenue	2,110,712	-
Accrued compensated absences	98,232	-
Capital lease payable	35,113	-
Debt certificates payable	350,000	-
Bonds payable, including unamortized premium	949,177	-
Total current liabilities	4,754,155	183,735
Non-current liabilities:		
Accrued compensated absences	19,445	-
Other postemployment benefits	109,235	-
Capital lease payable	175,904	-
Debt certificates payable	3,565,000	-
Bonds payable, including unamortized premium	2,266,435	-
Total non-current liabilities	6,136,019	-
Total liabilities	10,890,174	183,735
Deferred Inflows of Resources		
Property taxes	4,004,673	-
Total deferred inflows of resources	4,004,673	-
Net Position		
Net investment in capital assets	12,311,183	-
Restricted, expendable:		
Capital projects	1,309,720	-
Debt service	722,843	-
Working cash	7,851,128	-
Other	685,589	-
Temporarily restricted	-	5,895,425
Permanently restricted	-	4,517,066
Unrestricted - Board designated	-	7,865,339
Unrestricted	2,490,175	3,953,560
Total net position	\$ 25,370,638	\$ 22,231,390

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, 2014

	Primary Government	Component Unit Highland Community College Foundation
Revenues		
Operating Revenues:		
Student tuition and fees, net of scholarship allowances of \$1,911,858	\$ 3,903,730	\$ -
Auxiliary enterprises revenue	1,619,965	-
Other operating revenues	1,004,893	3,199,389
Total operating revenues	6,528,588	3,199,389
Expenses		
Operating Expenses:		
Instruction	9,352,821	-
Academic support	993,116	-
Student services	5,371,672	-
Public services	1,014,736	-
Operations and maintenance of plant	2,516,741	-
General administration	1,675,326	-
Independent operations	-	-
Institutional support	2,736,700	551,905
Auxiliary enterprises	1,603,063	-
Scholarships, student grants, and waivers	282,622	865,178
Capital projects	25,501	-
Depreciation	1,067,666	-
Total operating expenses	26,639,964	1,417,083
Operating income (loss)	(20,111,376)	1,782,306
Non-operating revenues (expenses)		
State sources	2,441,670	-
SURS contribution provided by state	3,461,583	-
Property and replacement taxes	8,550,315	-
Federal grants and contracts	6,067,262	-
Interest expense and other	(178,088)	-
Investment income earned	19,427	2,871,173
Total non-operating revenues	20,362,169	2,871,173
Change in net position	250,793	4,653,479
Net position, beginning of year, as restated	25,119,845	17,577,911
Net position, end of year	\$ 25,370,638	\$ 22,231,390

Highland Community College District #519

Statement of Cash Flows

For the year ended June 30, 2014

	Primary Government
Cash Flows from Operating Activities	
Tuition and fees	\$ 3,741,525
Payments to/for:	
Employees	(10,798,082)
Suppliers and students	(10,631,767)
Auxiliary enterprises	1,615,609
Other receipts	319,188
Net cash provided by (used in) operations	(15,753,527)
Cash Flows from Noncapital Financing Activities	
State sources	2,448,487
Property and replacement taxes	9,819,246
Federal grants and contracts	6,177,742
Net cash provided by (used for) noncapital financing activities	18,445,475
Cash Flows from Capital Financing Activities	
Purchases of capital assets and construction	(350,996)
Proceeds from long term debt	135,958
Principal paid on capital debt	(1,228,677)
Interest paid on capital debt	(178,088)
Net cash provided by (used for) capital financing activities	(1,621,803)
Cash Flows from Investing Activities	
Maturity of investments	1,605,642
Purchase of investments	(927,736)
Interest and earnings on investments	19,427
Net cash provided by (used for) investing activities	697,333
Net increase (decrease) in cash and cash equivalents	1,767,478
Beginning cash and cash equivalents	2,392,137
Ending cash and cash equivalents	\$ 4,159,615
Noncash, Capital and Related Financing Activities:	
SURS contribution paid by state	\$ 3,461,583

See accompanying notes to financial statements.

Highland Community College District #519

Statement of Cash Flows (Continued)

For the year ended June 30, 2014

Primary
Government

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

Operating income (loss)	\$ (20,111,376)
-------------------------	-----------------

Adjustments to reconcile net income (loss) to net cash
provided (used) by operating activities:

Depreciation expense	1,067,666
On-behalf payments for SURS	3,461,583
Changes in net assets:	
Receivables (net)	303,427
Inventories	(4,356)
Prepaid expenses	4,093
Accounts payable	(175,816)
Accrued expenses	(213,236)
Accrued compensated absences	(4,106)
Other post employment benefits	13,088
Other accrued liabilities	-
Deposits held in custody for others	48,726
Unearned tuition and fees	(143,220)

Net cash provided (used) by operating activities	\$ (15,753,527)
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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.

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.

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, 2014.

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 2012 and 2013 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 2013 rate is for tax levy payable in calendar year 2014, per \$100 of assessed valuation.

	Statutory Maximum <u>Rate</u>	2011 <u>Rate</u>	2012 <u>Rate</u>	2013 <u>Rate</u>
Education Fund*	\$.1750	\$.2800	\$.2800	\$.2800
Operations and Maintenance Fund	.0750	.0750	.0750	.0750
Average Additional	.2100	.0000	.0000	.0000
Liability Insurance	None	.0499	.0517	.0484
Audit Fund	.0050	.0025	.0027	.0026
Protection, Health, & Safety	.0500	.0252	.0029	.0091
Social Security/Medicare Fund**	None	.0088	.0086	.0090
Prior Year Adjustment	None	.0005	.0000	.0000
Bond and Interest Fund	None	<u>.0517</u>	<u>.0570</u>	<u>.0604</u>
Total		<u>\$.4936</u>	<u>\$.4779</u>	<u>\$.4845</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, 2014, 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 2015.

Note 5 Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position reports 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

Highland Community College District #519

Notes to Financial Statements

Note 5 Deferred outflows/inflows of resources (Continued)

refunding results from the difference in the 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 reports 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.

Beginning of the year net position was restated (decreased) by \$44,884 to properly classify certain Agency Fund accounts as Proprietary Fund Type accounts.

Note 7 Out-of-District Tuition

The amount of cost to be charged for out-of-district students during the year ended June 30, 2014, 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, 2014:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>
Land (non-depreciable)	\$ 110,000	\$ -	\$ -	\$ 110,000
Construction in process	-	-	-	-
Land improvements	3,802,195	14,074	-	3,816,269
Buildings	24,331,078	27,419	-	24,358,497
Equipment	2,534,430	157,631	399,873	2,292,188
Technology	<u>3,610,587</u>	<u>151,872</u>	<u>1,237,405</u>	<u>2,525,054</u>
	<u>\$34,388,290</u>	<u>\$350,996</u>	<u>\$1,637,278</u>	<u>\$33,102,008</u>

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

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>
Land improvements	\$ 3,261,853	\$ 161,003	\$ -	\$ 3,422,856
Buildings	8,778,677	494,375	-	9,273,052
Equipment	1,432,398	259,157	399,873	1,291,682
Technology	<u>2,490,880</u>	<u>153,131</u>	<u>1,237,405</u>	<u>1,406,606</u>
	<u>\$15,963,808</u>	<u>\$1,067,666</u>	<u>\$1,637,278</u>	<u>\$15,394,196</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, 2014, the District recorded a vacation liability of \$98,232. 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, 2014, the District recorded a sick pay liability of \$19,445. 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 2014 and 2013, the state made contributions of \$3,461,583 and \$3,359,675, 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, 2014, 2013, and 2012 were \$3,511,613, \$3,477,437, and \$2,495,991, 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 had an actuarial valuation performed for the plan as of July 1, 2013 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, 2014. 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.

For the year ending June 30, 2014, there were 22 active employees fully eligible to retire, 111 employees not yet fully eligible to retire, and 4 participating retirees.

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, 2014 was as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Estimated Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</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>
June 30, 2014	<u>\$44,303</u>	<u>\$31,215</u>	71.0%	<u>\$109,235</u>

The net OPEB obligation as of June 30, 2014 (most recent information available), was calculated as follows:

Annual required contribution	\$ 46,182
Interest on net OPEB obligation	2,884
Adjustment to annual required contribution	<u>(4,763)</u>
Annual OPEB cost	44,303
Contribution made	<u>(31,215)</u>
Increase in net OPEB obligation	13,088
Net OPEB obligation, beginning of year	<u>96,147</u>
Net OPEB obligation, end of year	<u>\$109,235</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, 2014 (the date of the last actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$358,921
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$358,921</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, 2014 actuarial valuation, the projected unit credit method was used.

Discount rate. The discount rate as of June 30, 2014 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 \$8,674 and \$9,076, respectively.

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

Health Care Trend Rate. The initial rates of 8.50% 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 6% for Fiscal Year 2014 and 6% 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, 2014 consist of the following:

	<u>Carrying Amount</u>
Cash and cash equivalents	\$ 4,159,615
Deposits with financial institutions	8,796,907
External investment pool	<u>321,637</u>
Total	<u>\$13,278,159</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 \$12,955,119 and the bank balance was \$13,057,812.

Of the bank balance, \$1,720,983 was covered by federal depository insurance and \$11,336,829 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, 2014, the District's investments were as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
External investment pool	<u>\$321,637</u>	<u>\$321,637</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 2014.

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>Remaining Maturity (in Months)</u>			<u>Total</u>
	<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	
<u>Investment Type</u>				
External investment pool	<u>\$321,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$321,637</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>June 30, 2014</u>	<u>AAAm</u>	<u>Aa</u>	<u>Unrated</u>
<u>Investment Type</u>				
External investment pool	<u>\$321,637</u>	<u>\$321,637</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, 2014 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

	Balance July 1, 2013	Issuances	Retirements	Balance June 30, 2014
2008 Debt Certificates	\$ 580,000	\$ -	\$ 285,000	\$ 295,000
2009 Working Cash Bonds	905,000	-	585,000	320,000
2010 Gen. Oblig. Bonds	1,135,000	-	280,000	855,000
2012 Copier Capital Lease	98,736	-	16,889	81,847
2012 G.O. Rfdg. Debt Cert.	3,675,000	-	55,000	3,620,000
2012 Gen. Oblig. WC Bonds	1,945,000	-	-	1,945,000
2014 Bus Capital Lease	<u>-</u>	<u>135,958</u>	<u>6,788</u>	<u>129,170</u>
Total	<u>\$8,338,736</u>	<u>\$135,958</u>	<u>\$1,228,677</u>	<u>\$7,246,017</u>
Premium on bonds	<u>\$124,789</u>	<u>\$ -</u>	<u>\$29,177</u>	<u>\$95,612</u>

Highland Community College District #519

Notes to Financial Statements

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

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, 2014, \$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. 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. The reacquisition price exceeded the net carrying amount of the old debt and is being amortized over the life of the old debt. At June 30, 2014, \$190,796 remains as a deferred charge on the bond refunding.

Highland Community College District #519

Notes to Financial Statements

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

At June 30, 2014, the annual cash flow requirements of bond principal (including debt certificates) and interest are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	390,000	54,132	444,132
2020-2024	<u>2,055,000</u>	<u>145,816</u>	<u>2,200,816</u>
	<u>\$7,035,000</u>	<u>\$687,894</u>	<u>\$7,722,894</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 District entered into a capital lease in February, 2014 at an interest rate of 2.70%, to acquire three buses. Monthly payments of interest and principal began in February, 2014. Total payments for the buses are \$148,713 (principal of \$135,958 and interest of \$12,755).

The following is an amortization schedule for these leases:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 35,112	\$ 6,318	\$ 41,430
2016	36,373	5,053	41,426
2017	37,688	3,740	41,428
2018	38,762	2,379	41,141
2019	<u>63,082</u>	<u>1,044</u>	<u>64,126</u>
	<u>\$211,017</u>	<u>\$18,534</u>	<u>\$229,551</u>

A computation of the legal debt margin of the District as of June 30, 2014, is as follows:

Assessed valuation – 2013 tax levy	\$1,653,203,593
Debt limit – 2.875% of assessed valuation	\$ 47,529,603
Less applicable debt	<u>(7,246,017)</u>
Legal debt margin	<u>\$ 40,283,586</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 2014 totals \$246,402. As of June 30, 2014, the YMCA had paid \$246,240. The YMCA has a balance due of \$162 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, 2014, the following amounts were available for the District's share of these expenditures:

Road and lot	\$ 79,481
Building maintenance	64,367
Accumulated interest	<u>47,626</u>
Total	<u>\$191,474</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 July 31, 2014 with the option of extending.

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, 2014, \$1,116,878 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 \$74,015 as of June 30, 2014.

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 a specific and/or aggregate amount 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 \$2,920,189 of covered charges in aggregate. Health care claims which are more than \$60,000 per individual and \$2,920,189 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, 2014, the amount of these liabilities was \$166,247.

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 three 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>
2012	\$91,748	\$2,252,481	\$2,141,170	\$203,059
2013	\$203,059	\$2,496,981	\$2,476,919	\$223,121
2014	\$223,121	\$1,912,029	\$1,968,903	\$166,247

Note 21 New Accounting Pronouncements

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement 65 "Items Previously Reported as Assets and Liabilities". The District was required to adopt this guidance for the year ended June 30, 2014. The District early implemented this standard for the year ended June 30, 2013.

Note 22 Pending Accounting Pronouncements

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" The District is required to implement this standard for the fiscal year ending June 30, 2015.

In April 2013, the Governmental Accounting Standards Board (GASB) issued Statement 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees" The District is required to implement this standard for the fiscal year ending June 30, 2015.

In November 2013, the Governmental Accounting Standards Board (GASB) issued Statement 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68" The District is required to implement this standard for the fiscal year ending June 30, 2015.

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

Highland Community College District #519

Notes to 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, 2014, \$6,865,339 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 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.

Highland Community College District #519

Notes to Financial Statements

Note 24 Component Unit (Continued)

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, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$5,895,425	\$4,517,066	\$ 10,412,491
Board-designated endowment funds	<u>6,865,339</u>	<u>-</u>	<u>-</u>	<u>6,865,339</u>
	<u>\$6,865,339</u>	<u>\$5,895,425</u>	<u>\$4,517,066</u>	<u>\$17,277,830</u>

Changes in endowment net assets as of June 30, 2014 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	\$6,868,987	\$4,124,934	\$3,922,718	\$14,916,639
Contributions	-	1,926,176	15,785	1,941,961
Interest and dividend income	167,269	217,210	-	384,479
Net unrealized gain(loss) on investments	856,674	436,255	578,563	1,871,492
Amounts appropriated for Expenditure	(1,027,591)	-	-	(1,027,591)
Amounts released from restriction	<u>-</u>	<u>(809,150)</u>	<u>-</u>	<u>(809,150)</u>
	<u>\$6,865,339</u>	<u>\$5,895,425</u>	<u>\$4,517,066</u>	<u>\$17,277,830</u>

Investments

Investments consist of the following as of June 30, 2014:

Money market funds	\$ 550,713
Certificates of deposits	200,760
U.S. Treasury and governmental agency obligations	52,620
Corporate and other obligations	1,511,626
Common stock and equity funds	3,426,253
Mutual funds	12,826,136
ETF	1,365,306
Property and other	<u>701,100</u>
Total investments	<u>\$20,634,514</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, 2014 are as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (<u>Level 1</u>)	Quoted Prices in Inactive Markets for Identical Assets (<u>Level 2</u>)
U.S. Treasury and governmental agency obligations	\$ 52,620	\$ 52,620	\$ -
Money market	550,713	550,713	-
Certificate of deposits	200,760	200,760	-
Corporate and other obligations	1,511,626	1,511,626	-
Common stock and equity funds	17,617,695	17,617,695	-
Property and other	<u>701,100</u>	<u>16,100</u>	<u>685,000</u>
Total investments	<u>\$20,634,514</u>	<u>\$19,949,514</u>	<u>\$685,000</u>

Property and Equipment

A summary of equipment is as follows:

	<u>Cost 6/30/2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Cost 6/30/2014</u>
Equipment	\$ 71,545	\$ -	\$ -	\$71,545
Less accumulated Depreciation	<u>(43,561)</u>	<u>(3,597)</u>	<u>-</u>	<u>(47,158)</u>
Total, net of accumulated Depreciation	<u>\$ 27,984</u>	<u>\$ 3,597</u>	<u>\$ -</u>	<u>\$24,387</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, 2010 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, 2014

All Fund Types - Change in Fund Balances	\$	(131,729)
Reduction in student tuition and fees		(1,911,858)
Reduction in financial aid expense		1,911,858
Net effect		-
Prior year recognition of summer revenue deferred		(223,391)
Prior year recognition of summer salaries deferred		45,326
Recognition of summer revenue deferred		205,361
Recognition of summer salaries deferred		(41,018)
Net effect		(13,722)
Compensated absences decrease (increase)		4,106
Other post employment benefits decrease (increase)		(13,088)
Expended for capital assets		350,996
Depreciation		(1,067,666)
Net effect		(716,670)
Long-term debt issued (governmental funds)		(135,958)
Premium adjustment on bonds		29,177
Long-term debt retired (governmental funds)		1,228,677
Net effect		1,121,896
Change in net position	\$	250,793
Net position, beginning of year	\$	25,119,845
Net position, end of year		25,370,638
Change in net position	\$	250,793

Reconciliation of Combined Balance Sheet to the Statement of Net Position

Fund Balances - All Fund Types and Account Groups	\$	48,169,032
Allowance for accumulated depreciation		(15,394,196)
Recognition of summer revenue deferred		205,361
Recognition of summer salaries deferred		(41,018)
Amount to be provided for compensated absences		(117,677)
Amount to be provided for other post employment benefits		(109,235)
Amount available in debt service fund		(722,843)
Amount to be provided for retirement of general long-term debt		(6,618,786)
Net Position of Statement of Net Position	\$	25,370,638

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Highland Community College District #519

Combined Balance Sheet All Fund Types and Account Groups June 30, 2014

Assets	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Cash and cash equivalents	\$ 314,582	\$ 2,874,846	\$ 319,627	\$ 227,548
Investments	2,077,681	5,937,438	-	1,103,425
Receivables:				
Taxes	4,251,612	707,481	711,393	107,012
Other, net of \$1,298,738 allowance for doubtful accounts	2,366,854	380,220	-	-
Due from other funds	-	491,313	-	-
Inventories	-	-	-	-
Deferred expense	75,846	9,362	190,796	-
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	\$ 9,086,575	\$ 10,400,660	\$ 1,221,816	\$ 1,437,985
Liability, Deferred Inflows and Fund Equity				
Liabilities:				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Due to other funds	200,320	65,934	-	-
Accounts payable	123,043	202,421	-	53,210
Accrued expenses	383,380	1,156	-	-
Agency deposits	-	-	-	-
Unearned tuition revenue	2,017,400	180,413	-	-
Accrued compensated absences	-	-	-	-
Debt certificates payable	-	-	-	-
Capital lease payable	-	-	-	-
Premium on bonds	-	-	-	-
Bonds payable	-	-	-	-
Total liabilities	2,724,143	449,924	-	53,210
Deferred Inflows of Resources:				
Property taxes	2,934,436	496,209	498,973	75,055
Fund equity:				
Investments in general fixed assets	-	-	-	-
Retained earnings - unreserved	-	-	-	-
Fund balances (deficit):				
Reserved for restricted purposes	-	685,589	-	-
Reserved for bond requirements	-	-	722,843	-
Reserved for working cash	-	7,851,128	-	-
Unreserved - designated	3,427,996	917,810	-	1,309,720
Total fund equity	3,427,996	9,454,527	722,843	1,309,720
Total liabilities, deferred inflows and fund equity	\$ 9,086,575	\$ 10,400,660	\$ 1,221,816	\$ 1,437,985

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total
Enterprise	Agency	General Fixed Assets	Long-Term Debt	(Memorandum Only)
\$ -	\$ 423,012	\$ -	\$ -	\$ 4,159,615
-	-	-	-	9,118,544
-	-	-	-	5,777,498
59,572	-	-	-	2,806,646
-	-	-	-	491,313
460,004	-	-	-	460,004
380	-	-	-	276,384
-	-	33,102,008	-	33,102,008
-	-	-	117,677	117,677
-	-	-	722,843	722,843
-	-	-	6,618,786	6,618,786
\$ 519,956	\$ 423,012	\$ 33,102,008	\$ 7,459,306	\$ 63,651,318
\$ -	\$ -	\$ -	\$ -	\$ -
225,059	-	-	-	491,313
22,878	-	-	-	401,552
1,821	-	-	-	386,357
-	423,012	-	-	423,012
118,260	-	-	-	2,316,073
-	-	-	117,677	117,677
-	-	-	3,915,000	3,915,000
-	-	-	211,017	211,017
-	-	-	95,612	95,612
-	-	-	3,120,000	3,120,000
368,018	423,012	-	7,459,306	11,477,613
-	-	-	-	4,004,673
-	-	33,102,008	-	33,102,008
151,938	-	-	-	151,938
-	-	-	-	685,589
-	-	-	-	722,843
-	-	-	-	7,851,128
-	-	-	-	5,655,526
151,938	-	33,102,008	-	48,169,032
\$ 519,956	\$ 423,012	\$ 33,102,008	\$ 7,459,306	\$ 63,651,318

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, 2014

	Governmental	
	General	Special Revenue
Revenues		
Local governmental sources	\$ 6,406,660	\$ 1,051,601
State governmental sources	1,853,382	588,288
Federal governmental sources	37,465	6,029,797
Student tuition and fees	5,396,773	436,845
Other sources	617,604	387,634
On behalf payments	2,284,645	1,176,938
Total revenue	16,596,529	9,671,103
Expenditures		
Instruction	6,834,159	705,831
Academic support	768,635	21,472
Student services	1,372,134	5,530,622
Public services	460,887	314,467
Operations and maintenance of plant	1,739,337	486,407
General administration	1,203,608	197,824
Independent operations	-	-
Institutional support	1,679,020	1,024,986
Scholarships, student grants, and waivers	282,622	-
Capital projects	-	-
Debt service	385,681	50,000
On behalf payments	2,284,645	1,176,938
Total expenditures	17,010,728	9,508,547
Excess (deficiency) of revenues over expenditures	(414,199)	162,556
Other financing sources (uses)		
Capital lease proceeds	135,958	-
Premiums on debt issued	-	-
Payment to escrow agent	-	-
Transfers from (to) other funds	161,942	(11,942)
Total other financing sources (uses)	297,900	(11,942)
Net change in fund balance	(116,299)	150,614
Fund balance (deficit), beginning of year	3,544,295	9,303,913
Fund balance (deficit), end of year	\$ 3,427,996	\$ 9,454,527

Fund Types		Total (Memorandum Only)
Debt Service	Capital Projects	
\$ 991,815	\$ 100,239	\$ 8,550,315
-	-	2,441,670
-	-	6,067,262
-	-	5,833,618
-	19,082	1,024,320
-	-	3,461,583
991,815	119,321	27,378,768
-	-	7,539,990
-	-	790,107
-	-	6,902,756
-	-	775,354
-	-	2,225,744
-	-	1,401,432
-	-	-
-	-	2,704,006
-	-	282,622
-	143,821	143,821
1,000,261	-	1,435,942
-	-	3,461,583
1,000,261	143,821	27,663,357
(8,446)	(24,500)	(284,589)
-	-	135,958
-	-	-
-	-	-
-	(150,000)	-
-	(150,000)	135,958
(8,446)	(174,500)	(148,631)
731,289	1,484,220	15,063,717
\$ 722,843	\$ 1,309,720	\$ 14,915,086

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, 2014

	General Fund Types		
	Budget	Actual	Over (Under) Budget
Revenues			
Local governmental sources	\$ 6,446,337	\$ 6,406,660	\$ (39,677)
State governmental sources	1,857,306	1,853,382	(3,924)
Federal governmental sources	30,000	37,465	7,465
Student tuition and fees	5,535,000	5,396,773	(138,227)
Other sources	605,306	617,604	12,298
On behalf payments	-	2,284,645	2,284,645
Total revenues	14,473,949	16,596,529	2,122,580
Expenditures			
Instruction	6,929,082	6,834,159	(94,923)
Academic support	849,820	768,635	(81,185)
Student services	1,375,120	1,372,134	(2,986)
Public services	493,827	460,887	(32,940)
Operations and maintenance of plant	1,801,121	1,739,337	(61,784)
General administration	1,244,254	1,203,608	(40,646)
Independent operations	-	-	-
Institutional support	1,605,191	1,679,020	73,829
Scholarships, student grants, and waivers	285,000	282,622	(2,378)
Capital projects	-	-	-
Debt service	-	385,681	385,681
On behalf payments	-	2,284,645	2,284,645
Total expenditures	14,583,415	17,010,728	2,427,313
Excess (deficiency) of revenues over expenditures	(109,466)	(414,199)	(304,733)
Other financing sources (uses)			
Capital lease proceeds	-	135,958	135,958
Premiums on debt issued	-	-	-
Payment to escrow agent	-	-	-
Transfer from (to) other funds	203,800	161,942	(41,858)
Total other financing sources (uses)	203,800	297,900	94,100
Net change in fund balance	\$ 94,334	(116,299)	\$ (210,633)
Fund balance, beginning of year		3,544,295	
Fund balance, end of year		\$ 3,427,996	

Special Revenue Fund Types			Debt Service Fund Types		
Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
\$ 1,082,000	\$ 1,051,601	\$ (30,399)	\$ 989,498	\$ 991,815	\$ 2,317
588,288	588,288	-	-	-	-
6,403,511	6,029,797	(373,714)	-	-	-
443,000	436,845	(6,155)	-	-	-
300,697	387,634	86,937	-	-	-
-	1,176,938	1,176,938	-	-	-
8,817,496	9,671,103	853,607	989,498	991,815	2,317
681,531	705,831	24,300	-	-	-
16,113	21,472	5,359	-	-	-
6,210,177	5,530,622	(679,555)	-	-	-
134,509	314,467	179,958	-	-	-
519,206	486,407	(32,799)	-	-	-
334,603	197,824	(136,779)	-	-	-
3,000	-	(3,000)	-	-	-
1,181,574	1,024,986	(156,588)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	50,000	50,000	979,928	1,000,261	20,333
-	1,176,938	1,176,938	-	-	-
9,080,713	9,508,547	427,834	979,928	1,000,261	20,333
(263,217)	162,556	425,773	9,570	(8,446)	(18,016)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(11,942)	(11,942)	-	-	-
-	(11,942)	(11,942)	-	-	-
\$ (263,217)	150,614	\$ 413,831	\$ 9,570	(8,446)	\$ (18,016)
	9,303,913			731,289	
	\$ 9,454,527			\$ 722,843	

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, 2014

	Capital Project Fund Types		
	Budget	Actual	Over (Under) Budget
Revenues			
Local governmental sources	\$ 100,000	\$ 100,239	\$ 239
State governmental sources	-	-	-
Federal governmental sources	-	-	-
Student tuition and fees	-	-	-
Other sources	-	19,082	19,082
On behalf payments	-	-	-
Total revenues	100,000	119,321	19,321
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	408,699	143,821	(264,878)
Debt service	-	-	-
On behalf payments	-	-	-
Total expenditures	408,699	143,821	(264,878)
Excess (deficiency) of revenues over expenditures	(308,699)	(24,500)	284,199
Other financing sources (uses)			
Bond proceeds	-	-	-
Capital lease proceeds	-	-	-
Transfer from (to) other funds	(200,000)	(150,000)	50,000
Total other financing sources (uses)	(200,000)	(150,000)	50,000
Net change in fund balance	\$ (508,699)	(174,500)	\$ 334,199
Fund balance, beginning of year		1,484,220	
Fund balance, end of year		\$ 1,309,720	

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, 2014

	Proprietary Fund Type	
	Enterprise	
	Budget	Actual
Operating revenues		
Bookstore sales	\$ 1,295,000	\$ 1,366,671
Other fees	165,000	118,123
Athletics	49,562	42,318
Other sources	214,853	92,853
Total operating revenues	1,724,415	1,619,965
Operating expenses		
Salaries	278,143	280,625
Employee benefits	45,897	47,587
Contractual services	85,887	67,228
General materials and supplies	1,235,674	979,710
Conference and meeting expense	138,896	143,528
Utilities	650	1,430
Fixed charges	2,000	340
Capital outlay	4,280	5,416
Other	66,761	77,199
Total operating expenses	1,858,188	1,603,063
Operating income (loss)	(133,773)	16,902
Nonoperating revenue (expenses)		
Transfer from (to) other funds	-	-
Total nonoperating revenue (expenses)	-	-
Net income (loss)	\$ (133,773)	16,902
Retained earnings beginning of year		179,920
Prior period adjustment		(44,884)
Retained earnings end of year		\$ 151,938

Highland Community College District #519

Combined Statement of Cash Flows Proprietary Fund Type

For the year ended June 30, 2014

	Proprietary Fund Type
	Enterprise Fund Type
Cash Flows from Operating Activities	
Operating income (loss)	\$ 16,902
Adjustments to reconcile net income to net cash from operating activities:	
(Increase) decrease in current assets:	
Inventory	(4,356)
Accounts receivable	14,511
Deferred expense	(20)
Due from other funds	-
Increase (decrease) in current liabilities:	
Deferred revenue	(13,597)
Due to other funds	25,940
Accounts payable	5,659
Accrued expenses	(155)
Net cash provided by (used in) operations	44,884
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	
Residual equity transfer	(44,884)
Transfer from (to) other funds	-
Net cash provided by (used for) noncapital financing activities	(44,884)
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, 2014

	Educational Fund	Operations and Mainten- ance Fund	Total General Funds
Assets			
Cash	\$ 314,582	\$ -	\$ 314,582
Investments	2,077,681	-	2,077,681
Receivables:			
Taxes	3,324,906	926,706	4,251,612
Other, net of \$1,298,738 allow- ance for doubtful accounts	2,333,381	33,473	2,366,854
Deferred expense	75,846	-	75,846
Total assets	\$ 8,126,396	\$ 960,179	\$ 9,086,575
Liabilities, Deferred Inflows and Fund Balance			
Liabilities:			
Cash overdraft	\$ -	\$ -	\$ -
Due to other funds	-	200,320	200,320
Accounts payable	100,140	22,903	123,043
Accrued expenses	369,355	14,025	383,380
Unearned tuition revenue	2,017,400	-	2,017,400
Total liabilities	2,486,895	237,248	2,724,143
Deferred Outflows of Resources:			
Property tax revenue	2,314,485	619,951	2,934,436
Fund balance - unreserved - designated	3,325,016	102,980	3,427,996
Total liabilities, deferred outflows, and fund balance	\$ 8,126,396	\$ 960,179	\$ 9,086,575

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, 2014

	Educational Fund	Operations and Mainten- ance Fund	Total General Funds
Revenues			
Local governmental sources	\$ 4,885,534	\$ 1,521,126	\$ 6,406,660
State governmental sources	1,653,517	199,865	1,853,382
Federal governmental sources	37,465	-	37,465
Student tuition and fees	5,396,773	-	5,396,773
Other sources	559,724	57,880	617,604
On behalf payments	2,284,645	-	2,284,645
Total revenues	14,817,658	1,778,871	16,596,529
Expenditures			
Instruction	6,834,159	-	6,834,159
Academic support	768,635	-	768,635
Student services	1,372,134	-	1,372,134
Public services	460,887	-	460,887
Operations and maintenance of plant	-	1,739,337	1,739,337
General administration	1,203,608	-	1,203,608
Institutional support	1,679,020	-	1,679,020
Scholarships, student grants, and waivers	282,622	-	282,622
Debt service	385,681	-	385,681
On behalf payments	2,284,645	-	2,284,645
Total expenditures	15,271,391	1,739,337	17,010,728
Excess (deficiency) of revenue over expenditures	(453,733)	39,534	(414,199)
Other financing sources (uses)			
Capital lease proceeds	135,958	-	135,958
Transfer from (to) other funds	161,942	-	161,942
Net change in fund balance	(155,833)	39,534	(116,299)
Fund balance, beginning of year	3,480,849	63,446	3,544,295
Fund balance, end of year	\$ 3,325,016	\$ 102,980	\$ 3,427,996

Highland Community College District #519

Combining Balance Sheet Governmental Fund Types - Special Revenue Funds

June 30, 2014

	Restricted Purposes Fund	Audit Fund	Liability, Protection, and Settlement Funds	Working Cash Funds	Total Special Revenue Funds
Assets					
Cash	\$ -	\$ 17,783	\$ 701,005	\$ 2,156,058	\$ 2,874,846
Investments	733,681	-	-	5,203,757	5,937,438
Receivables:					-
Property tax	-	31,468	676,013	-	707,481
Other	380,220	-	-	-	380,220
Prepaid expense	9,362	-	-	-	9,362
Due from other funds	-	-	-	491,313	491,313
Total assets	\$ 1,123,263	\$ 49,251	\$ 1,377,018	\$ 7,851,128	\$ 10,400,660
Liabilities, Deferred Inflows, and Fund Balance					
Liabilities:					
Due to other funds	\$ 65,934	\$ -	\$ -	\$ -	\$ 65,934
Accounts payable	190,171	10,932	1,318	-	202,421
Unearned tuition revenue	180,413	-	-	-	180,413
Accrued expense	1,156	-	-	-	1,156
Total liabilities	437,674	10,932	1,318	-	449,924
Deferred outflows:					
Property taxes	-	22,070	474,139		496,209
Fund balance (deficit):					
Reserved for restricted purposes	685,589	-	-	7,851,128	8,536,717
Unreserved - designated	-	16,249	901,561	-	917,810
Total fund balance	685,589	16,249	901,561	7,851,128	9,454,527
Total liabilities, deferred inflows, and fund balance	\$ 1,123,263	\$ 49,251	\$ 1,377,018	\$ 7,851,128	\$ 10,400,660

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, 2014

	Restricted Purposes Fund	Audit Fund	Liability, Protection, and Settlement Fund	Working Cash Fund	Total Special Revenue Funds
Revenues					
Local government sources	\$ -	\$ 45,185	\$ 1,006,416	\$ -	\$ 1,051,601
State governmental sources	588,288	-	-	-	588,288
Federal governmental sources	6,029,797	-	-	-	6,029,797
Student tuition	436,845	-	-	-	436,845
Other sources	368,352	-	-	19,282	387,634
On behalf payments	1,176,938	-	-	-	1,176,938
Total revenues	8,600,220	45,185	1,006,416	19,282	9,671,103
Expenditures					
Instruction	705,831	-	-	-	705,831
Academic support	21,472	-	-	-	21,472
Student services	5,530,622	-	-	-	5,530,622
Public services	314,467	-	-	-	314,467
General administration	197,824	-	-	-	197,824
Operations and maintenance	-	-	486,407	-	486,407
Independent operations	-	-	-	-	-
Institutional support	421,785	48,200	547,661	7,340	1,024,986
Debt service	50,000	-	-	-	50,000
On behalf payments	1,176,938	-	-	-	1,176,938
Total expenditures	8,418,939	48,200	1,034,068	7,340	9,508,547
Excess (deficiency) of revenues over expenditures	181,281	(3,015)	(27,652)	11,942	162,556
Other financing sources (uses) of funds					
Bond proceeds	-	-	-	-	-
Premium on debt issued	-	-	-	-	-
Transfer from (to) other funds	-	-	-	(11,942)	(11,942)
Total other financing sources	-	-	-	(11,942)	(11,942)
Net change in fund balance	181,281	(3,015)	(27,652)	-	150,614
Fund balance, beginning of year	504,308	19,264	929,213	7,851,128	9,303,913
Fund balance, end of year	\$ 685,589	\$ 16,249	\$ 901,561	\$ 7,851,128	\$ 9,454,527

Highland Community College District #519

Combining Balance Sheet Fiduciary Funds

June 30, 2014

	Agency Funds	Total
Assets		
Cash on hand and in bank	\$ 423,012	\$ 423,012
Investments	-	-
Receivables - other	-	-
Due from other funds	-	-
Total assets	\$ 423,012	\$ 423,012
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ -	\$ -
Agency deposits	423,012	423,012
Total liabilities	423,012	423,012
Fund balances:		
Undesignated	-	-
Total fund balances	-	-
Total liabilities and fund balances	\$ 423,012	\$ 423,012

Highland Community College District #519

Educational Fund Schedule of Revenues Compared to Budget

For the year ended June 30, 2014

	Budget	Actual	Over (Under) Budget
Local Governmental Sources			
Current taxes	\$ 2,364,289	\$ 2,314,337	\$ (49,952)
Corporate personal property replacement tax	143,489	148,073	4,584
Back taxes	2,412,540	2,423,124	10,584
Total local government sources	4,920,318	4,885,534	(34,784)
State Governmental Sources			
ICCB base operating grants	1,132,569	1,132,569	-
ICCB equalization grants	399,022	399,022	-
ICCB other	7,000	3,076	(3,924)
ICCB career and technical education	118,850	118,850	-
Total state government sources	1,657,441	1,653,517	(3,924)
Federal Governmental Sources			
Federal financial aid	10,991	11,095	104
Indirect costs	19,009	19,189	180
DCEO	-	7,181	7,181
Total federal governmental sources	30,000	37,465	7,465
Student Tuition and Fees			
Tuition	4,818,903	4,857,393	38,490
Fees	716,097	539,380	(176,717)
Total student tuition and fees	5,535,000	5,396,773	(138,227)
Other Sources			
Facilities rental	23,000	27,488	4,488
Interest on investments	5,000	1,215	(3,785)
Other revenue	527,354	531,021	3,667
Total other sources	555,354	559,724	4,370
Total revenues	\$ 12,698,113	\$ 12,533,013	\$ (165,100)

Highland Community College District #519

Educational Fund

Schedule of Expenditures Compared to Budget

For the year ended June 30, 2014

	Budget	Actual	Over (Under) Budget
<i>Instruction</i>			
Salaries	\$ 5,521,754	\$ 5,496,154	\$ (25,600)
Employee benefits	986,035	968,216	(17,819)
Contractual services	115,135	109,393	(5,742)
General materials and supplies	225,336	189,059	(36,277)
Conference and meetings expense	61,560	47,459	(14,101)
Fixed charges	8,800	12,160	3,360
Utilities	1,535	1,480	(55)
Capital outlay	2,455	6,991	4,536
Other	6,472	3,247	(3,225)
Total instruction	6,929,082	6,834,159	(94,923)
<i>Academic Support</i>			
Salaries	531,317	486,369	(44,948)
Employee benefits	152,874	151,011	(1,863)
Contractual services	56,695	31,287	(25,408)
General materials and supplies	89,332	84,533	(4,799)
Conference and meetings expense	17,405	9,800	(7,605)
Capital outlay	1,322	5,468	4,146
Other	875	167	(708)
Total academic support	849,820	768,635	(81,185)
<i>Student Services</i>			
Salaries	953,710	924,540	(29,170)
Employee benefits	239,046	248,227	9,181
Contractual services	12,095	12,651	556
General materials and supplies	28,060	18,691	(9,369)
Conference and meetings expense	32,201	24,802	(7,399)
Fixed charges	2,260	10,233	7,973
Utilities	720	268	(452)
Capital outlay	-	315	315
Other	107,028	132,407	25,379
Total student services	1,375,120	1,372,134	(2,986)
<i>Public Services</i>			
Salaries	217,293	248,151	30,858
Employee benefits	13,821	14,104	283
Contractual services	169,224	122,613	(46,611)
General materials and supplies	19,875	10,334	(9,541)
Conference and meeting expense	34,194	35,708	1,514

Highland Community College District #519

Educational Fund (Continued)

Schedule of Expenditures Compared to Budget

For the year ended June 30, 2014

	Budget	Actual	Over (Under) Budget
Public Services (Continued)			
Fixed charges	4,200	2,156	(2,044)
Utilities	31,770	24,855	(6,915)
Capital outlay	-	2,349	2,349
Other	3,450	617	(2,833)
Total public services	493,827	460,887	(32,940)
Operations and Maintenance of Plant			
General materials and supplies	-	-	-
General Administration			
Salaries	705,886	689,634	(16,252)
Employee benefits	235,010	231,301	(3,709)
Contractual services	100,205	91,646	(8,559)
General materials and supplies	175,774	173,853	(1,921)
Conference and meeting expense	23,876	10,030	(13,846)
Fixed charges	-	-	-
Utilities	3,153	3,085	(68)
Capital outlay	-	3,743	3,743
Other	350	316	(34)
Total general administration	1,244,254	1,203,608	(40,646)
Institutional Support			
Salaries	441,199	431,847	(9,352)
Employee benefits	359,820	216,219	(143,601)
Contractual services	268,962	268,594	(368)
General materials and supplies	132,418	117,051	(15,367)
Conference and meeting expense	62,920	49,378	(13,542)
Fixed charges	155,001	109,459	(45,542)
Utilities	25,540	19,102	(6,438)
Capital outlay	25,503	180,777	155,274
Other	133,828	286,593	152,765
Total institutional support	1,605,191	1,679,020	73,829
Debt Service			
Principal and interest payments	385,681	385,681	-
Other			
Provision of contingency	-	-	-
Scholarships, Student Grants, & Waivers			
Other	285,000	282,622	(2,378)
Total educational fund	\$ 13,167,975	\$ 12,986,746	\$ (181,229)
Other financing sources (uses) of funds:			
Capital lease proceeds	\$ -	\$ 135,958	\$ 135,958
Operating transfers in	203,800	161,942	(41,858)
Operating transfers out	-	-	-
Total other financing sources (uses) of funds	\$ 203,800	\$ 297,900	\$ 94,100

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, 2014

	Budget	Actual	Over (Under) Budget
Revenues			
Local Governmental Sources			
Current taxes	\$ 633,292	\$ 619,952	\$ (13,340)
Corporate personal property replacement tax	246,511	252,123	5,612
Back taxes	646,216	649,051	2,835
Total local government sources	1,526,019	1,521,126	(4,893)
State Governmental Sources			
State apportionment	199,865	199,865	-
Total state government sources	199,865	199,865	-
Federal Governmental Sources			
FEMA	-	-	-
Total federal sources	-	-	-
Other Sources			
Facilities rental	49,652	49,448	(204)
Other revenue	300	8,432	8,132
Total other sources	49,952	57,880	7,928
Total revenues	\$ 1,775,836	\$ 1,778,871	\$ 3,035
Expenditures			
Operation and Maintenance of Plant			
Salaries	\$ 760,731	\$ 727,574	\$ (33,157)
Employee benefits	296,241	287,740	(8,501)
Contractual services	149,168	176,624	27,456
General materials and supplies	142,111	108,062	(34,049)
Conference and meeting expense	1,000	267	(733)
Utilities	719,800	651,220	(68,580)
Other	(269,756)	(231,370)	38,386
Contingency	-	-	-
Capital outlay	1,826	19,220	17,394
Total expenditures	\$ 1,801,121	\$ 1,739,337	\$ (61,784)
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, 2014

	Budget	Actual	Over (Under) Budget
Revenues			
State Governmental Sources			
Workforce Preparation Grant	\$ -	\$ -	\$ -
Student Success Grant	-	-	-
SBE Adult Education	290,834	290,834	-
SBE Vocational Education	146,807	146,807	-
Other	150,647	150,647	-
Total state government sources	588,288	588,288	-
Federal Governmental Sources			
Student Support Services Grant	274,292	323,609	49,317
College Work Study	83,945	83,945	-
Direct Federal Loan Program	2,000,000	1,648,352	(351,648)
Upward Bound Grant	-	-	-
Pell	3,805,000	3,432,750	(372,250)
SEOG	41,854	38,101	(3,753)
National Science/Other	16,113	21,472	5,359
DCEO Title IB	-	273,814	273,814
RSVP	37,119	49,040	11,921
IGEN/TAA Grant	145,188	158,714	13,526
Total federal government sources	6,403,511	6,029,797	(373,714)
Student Tuition and Fees			
Tuition	-	-	-
Fees	443,000	436,845	(6,155)
Total student tuition and fees	443,000	436,845	(6,155)
Other Sources			
Highland Community College Foundation	5,233	9,959	4,726
Investment income	19,152	19,774	622
In Kind	32,478	28,957	(3,521)
Other	243,834	309,662	65,828
Total other sources	300,697	368,352	67,655
Total revenue	\$ 7,735,496	\$ 7,423,282	\$ (312,214)

Highland Community College District #519

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

For the year ended June 30, 2014

	Budget	Actual	Over (Under) Budget
Expenditures			
Instruction			
Salaries	\$ 461,597	\$ 461,814	\$ 217
Employee benefits	104,247	112,437	8,190
Contractual services	5,650	4,750	(900)
General materials and supplies	71,577	64,966	(6,611)
Conference and meetings expense	11,886	10,929	(957)
Fixed charges	324	324	-
Utilities	-	-	-
Capital outlay	25,000	25,689	689
Other	1,250	24,922	23,672
Total instruction	681,531	705,831	24,300
Academic Support			
Salaries	-	5,060	5,060
Employee benefits	-	591	591
Contractual services	5,700	9,424	3,724
General materials and supplies	-	-	-
Capital outlay	-	-	-
Conference and meetings expense	605	-	(605)
Other	9,808	6,397	(3,411)
Total academic support	16,113	21,472	5,359
Student Services			
Salaries	241,494	238,979	(2,515)
Employee benefits	54,679	53,978	(701)
Contractual services	1,816	11,913	10,097
General materials and supplies	9,284	24,451	15,167
Capital outlay	500	-	(500)
Conference meeting expense	8,921	12,250	3,329
Other	5,893,483	5,189,051	(704,432)
Total student services	6,210,177	5,530,622	(679,555)
Public Services			
Salaries	72,184	98,793	26,609
Employee benefits	5,638	19,696	14,058
Contractual services	5,277	9,565	4,288
General materials and supplies	22,149	6,778	(15,371)
Conference and meeting expense	1,183	1,182	(1)
Fixed charges	21,996	22,361	365
Utilities	5,082	5,782	700
Capital Outlay	-	-	-
Other	1,000	150,310	149,310
Total public services	134,509	314,467	179,958

Highland Community College District #519

Special Revenue - Restricted Purpose Fund (Continued)

Schedule of Expenditures Compared to Budget

For the year ended June 30, 2014

	Budget	Actual	Over (Under) Budget
Expenditures (Continued)			
Institutional Support			
Salaries	70,928	69,004	(1,924)
General materials and supplies	1,505	3,835	2,330
Employee Benefits	27,383	20,968	(6,415)
Conference and meetings expense	1,610	280	(1,330)
Capital outlay	-	4,248	4,248
Contractual services	398,720	320,429	(78,291)
Utilities	-	-	-
Other	2,385	3,021	636
Total institutional support	502,531	421,785	(80,746)
General Administration			
Salaries	181,500	232,088	50,588
General materials and supplies	1,857	3,537	1,680
Employee benefits	17,272	20,042	2,770
Conference and meetings expense	5,599	10,084	4,485
Fixed charges	900	900	-
Capital outlay	-	-	-
Contractual services	1,253	470	(783)
Other	126,222	(69,297)	(195,519)
Total general administration	334,603	197,824	(136,779)
Operations & Maintenance			
Salaries	-	-	-
General materials and supplies	-	-	-
Capital outlay	-	-	-
Conference and meetings expense	-	-	-
Debt principal retirement	50,000	50,000	-
Other	-	-	-
Total operations & maintenance	50,000	50,000	-
Independent Operations			
Salaries	-	-	-
General materials and supplies	-	-	-
Capital outlay	-	-	-
Contractual services	3,000	-	(3,000)
Other	-	-	-
Total independent operations	3,000	-	(3,000)
Total expenditures	\$ 7,932,464	\$ 7,242,001	\$ (690,463)
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, 2014

	Budget	Actual	Over (Under) Budget
Revenues			
Local Governmental Sources			
Current taxes	\$ 22,000	\$ 22,070	\$ 70
Back taxes	22,000	23,115	1,115
Total revenues	\$ 44,000	\$ 45,185	\$ 1,185
Expenditures			
Institutional Support			
Audit costs	\$ 45,000	\$ 48,200	\$ 3,200

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, 2014

	Budget	Actual	Over (Under) Budget
Revenues			
Local Governmental Sources			
Current taxes	\$ 519,000	\$ 474,139	\$ (44,861)
Back taxes	519,000	521,319	2,319
Other revenue	-	10,958	10,958
Total revenues	\$ 1,038,000	\$ 1,006,416	\$ (31,584)
Expenditures			
Institutional Support			
Salaries	\$ 13,881	\$ 19,891	\$ 6,010
Employee benefits	269,672	250,612	(19,060)
Contractual services	131,500	78,278	(53,222)
General materials and supplies	16,390	6,425	(9,965)
Conferences and meetings	12,600	5,234	(7,366)
Fixed charges	190,000	187,221	(2,779)
Capital outlay	-	-	-
Provision for contingency	-	-	-
Total institutional support	634,043	547,661	(86,382)
Operations and Maintenance			
Salaries	207,475	197,084	(10,391)
Employee benefits	64,731	57,935	(6,796)
Contractual services	247,000	231,388	(15,612)
Total operations and maintenance	519,206	486,407	(32,799)
Total expenditures	\$ 1,153,249	\$ 1,034,068	\$ (119,181)

Highland Community College District #519

Special Revenue

Working Cash Fund

Schedule of Revenues and Expenditures Compared to Budget

For the year ended June 30, 2014

	Budget	Actual	Over (Under) Budget
Revenues			
Other Sources			
Interest on investments	\$ -	\$ 19,282	\$ 19,282
Other revenue	10,600	-	(10,600)
Total revenues	\$ 10,600	\$ 19,282	\$ 8,682
Expenditures			
Institutional Support			
Salaries	\$ -	\$ -	\$ -
Employee benefits	-	-	-
Contractual services	-	-	-
General materials and supplies	-	-	-
Conferences and meetings	-	-	-
Fixed charges	-	-	-
Capital outlay	-	-	-
Other	6,800	7,340	540
Total institutional support	6,800	7,340	540
Total expenditures	\$ 6,800	\$ 7,340	\$ 540
Other financing sources of funds:			
Bond proceeds	\$ -	\$ -	\$ -
Premium on debt issued	-	-	-
Operating transfer out	(3,800)	(11,942)	(8,142)
Total other financing sources of funds	\$ (3,800)	\$ (11,942)	\$ (8,142)

Highland Community College District #519

Schedule of Tort Expenditures

For the year ended June 30, 2014

Risk management related salaries and benefits	\$ 463,350
Insurance	249,393
Legal services	4,381
Security and safety related	316,944
<hr/>	
Total tort expenditures	\$ 1,034,068

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, 2014

	Budget	Actual	Over (Under) Budget
Revenues			
Local Governmental Sources			
Current taxes	\$ 75,000	\$ 75,055	\$ 55
Back taxes	25,000	25,184	184
Total local government sources	100,000	100,239	239
State Governmental Sources			
Deferred Maintenance Grant	-	-	-
ADA Grant	-	-	-
Total state government sources	-	-	-
Other Sources			
Other gifts/revenue	-	18,070	18,070
Interest on investments	-	1,012	1,012
Total other sources	-	19,082	19,082
Total revenues	\$ 100,000	\$ 119,321	\$ 19,321
Expenditures			
Capital Projects			
Contractual services	\$ -	\$ -	\$ -
General materials & supplies	5,000	1,100	(3,900)
Capital outlay	403,699	142,721	(260,978)
Total expenditures	\$ 408,699	\$ 143,821	\$ (264,878)
Other financing sources (uses)			
Bond proceeds	\$ -	\$ -	\$ -
Capital lease proceeds	-	-	-
Operating transfers out	(200,000)	(150,000)	50,000
Total other financing sources	\$ (200,000)	\$ (150,000)	\$ 50,000

Highland Community College District #519

Fiduciary Funds

Agency Funds

Schedule of Yearly Activity By Individual Account

For the year ended June 30, 2014

	Balance 6/30/2013	Receipts	Disburse- ments	Equity Transfers In/Out	Balance 6/30/2014
HCC road and parking	\$ 78,263	\$ 5,000	\$ 3,782	\$ -	\$ 79,481
YMCA road and parking	72,431	5,417	3,784	-	74,064
YMCA building/maintenance	46,281	10,833	5,858	-	51,256
HCC building/maintenance	60,224	10,000	5,857	-	64,367
YMCA/HCC interest	94,848	404	-	-	95,252
SAVTES road and parking	50,694	5,000	3,785	-	51,909
Flex fund	15,035	96,470	104,822	-	6,683
	\$ 417,776	\$ 133,124	\$ 127,888	\$ -	\$ 423,012

Highland Community College District #519

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

LEVY YEARS 2013, 2012, AND 2011

	2013 Levy	2012 Levy	2011 Levy
Assessed valuation	\$ 1,653,203,593	\$ 1,723,242,610	\$ 1,783,112,157
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	0.0484	0.0517	0.0499
Audit Fund	0.0026	0.0027	0.0025
Protection, Health & Safety	0.0091	0.0029	0.0252
Bond and Interest	0.0604	0.0570	0.0517
Social Security	0.0090	0.0086	0.0088
Total	0.4845	0.4779	0.4936

Taxes Extended

Education Fund	\$ 4,628,971	\$ 4,825,079	\$ 4,992,714
Operations, and Maintenance Fund	1,239,903	1,292,432	1,337,334
Education and O&M additional	(725)	-	6,934
Insurance	800,364	891,117	890,117
Audit Fund	44,140	46,135	44,043
Protection, Health & Safety	150,147	50,183	450,057
Bond and Interest	1,002,326	986,221	924,621
Social Security	148,163	148,235	157,080
Total	\$ 8,013,289	\$ 8,239,402	\$ 8,802,900

Highland Community College District #519

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

LEVY YEARS 2013, 2012, AND 2011

	2013 Levy	2012 Levy	2011 Levy
<i>Assessed valuations</i>			
Carroll	\$ 235,735,593	\$ 238,197,000	\$ 254,321,151
Jo Daviess	677,522,177	724,725,712	760,322,275
Ogle	118,772,027	124,888,669	127,362,772
Stephenson	621,173,796	635,431,229	641,105,959
Total	<u>\$ 1,653,203,593</u>	<u>\$ 1,723,242,610</u>	<u>\$ 1,783,112,157</u>
<i>Tax extensions</i>			
<u>Educational</u>			
Carroll	\$ 660,060	\$ 666,952	\$ 712,099
Jo Daviess	1,897,062	2,029,232	2,128,902
Ogle	332,562	349,688	356,616
Stephenson	1,739,287	1,779,207	1,795,097
	<u>4,628,971</u>	<u>4,825,079</u>	<u>4,992,714</u>
<u>Operation and Maintenance</u>			
Carroll	176,802	178,648	190,741
Jo Daviess	508,142	543,544	570,242
Ogle	89,079	93,667	95,522
Stephenson	465,880	476,573	480,829
	<u>1,239,903</u>	<u>1,292,432</u>	<u>1,337,334</u>
<u>Insurance</u>			
Carroll	114,096	123,600	126,957
Jo Daviess	327,921	374,321	379,553
Ogle	57,699	64,805	63,567
Stephenson	300,648	328,391	320,040
	<u>800,364</u>	<u>891,117</u>	<u>890,117</u>
<u>Audit</u>			
Carroll	6,294	6,408	6,282
Jo Daviess	18,090	19,350	18,780
Ogle	3,171	3,347	3,146
Stephenson	16,585	17,030	15,835
	<u>44,140</u>	<u>46,135</u>	<u>44,043</u>

Highland Community College District #519

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

LEVY YEARS 2013, 2012, AND 2011

	2013 Levy	2012 Levy	2011 Levy
<i>Tax extensions (continued)</i>			
<u>Protection, Health, & Safety</u>			
Carroll	21,405	6,955	64,191
Jo Daviess	61,519	21,090	191,905
Ogle	10,820	3,647	32,146
Stephenson	56,403	18,491	161,815
	150,147	50,183	450,057
<u>Bond and Interest</u>			
Carroll	142,314	136,249	131,357
Jo Daviess	411,120	414,688	394,683
Ogle	71,964	71,436	65,783
Stephenson	376,928	363,848	332,798
	1,002,326	986,221	924,621
<u>Social Security</u>			
Carroll	21,122	20,556	22,406
Jo Daviess	60,706	62,254	66,984
Ogle	10,678	10,778	11,208
Stephenson	55,657	54,647	56,482
	148,163	148,235	157,080
<u>Prior Year Adjustment</u>			
Carroll	-	-	1,297
Jo Daviess	-	-	-
Ogle	(725)	-	2,624
Stephenson	-	-	3,013
	(725)	-	6,934
Total	\$ 8,013,289	\$ 8,239,402	\$ 8,802,900

Highland Community College District #519

Summary Schedule of Taxes Receivable and Tax Collections Governmental Fund Types

For the year ended June 30, 2014

Year	Levy Valuation	Assessed Rate	Combined Taxes Extended	Total Collected to June 30, 2013
2012	\$ 1,723,242,610	0.4779	\$ 8,239,402	\$ 1,074,634
2013	1,653,203,593	0.4845	8,013,289	-
Total				\$ 1,074,634

2013 Property Taxes Extended

	Uncollected June 30, 2014
Education	\$ 3,299,772
Operations, and Maintenance	883,908
Insurance	570,416
Audit	31,468
Protection, Health & Safety	107,012
Bond and Interest	711,393
Social Security	105,597
Difference due to estimated equalized assessed value	3,941
Total	\$ 5,713,507

Collected During Year Ended June 30, 2014	Total Collected to June 30, 2014	Percent Collected June 30, 2014	Allowance for Uncollectible Taxes	Balance After Allowance
\$ 7,176,391	\$ 8,251,025	100.14%	\$ -	\$ -
2,299,782	2,299,782	28.70%	-	5,713,507
<u>\$ 9,476,173</u>	<u>\$ 10,550,807</u>	<u>64.92%</u>	<u>\$ -</u>	<u>\$ 5,713,507</u>

Highland Community College District #519

Schedule of Legal Debt Margin

For the year ended June 30, 2014

Assessed valuation - 2013 levy	\$ 1,653,203,593
Debt limit, 2.875% of assessed valuation	\$ 47,529,603
Total long-term debt	7,246,017
Legal debt margin	\$ 40,283,586

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Highland Community College District #519

All Funds Summary

Uniform Financial Statement #1, Fiscal Year 2014

	Education Fund	Operations & Mainten- ance Fund	Operations & Mainten- ance Fund (Restricted)	Bond and Interest Fund
Fund balance, July 1, 2013	\$ 3,480,849	\$ 63,446	\$ 1,484,220	\$ 731,289
Revenues				
Local tax revenue	4,885,534	1,521,126	100,239	991,815
All other local revenue	-	-	-	-
ICCB grants	1,653,517	199,865	-	-
All other state revenue	-	-	-	-
Federal revenue	37,465	-	-	-
Student tuition and fees	5,353,121	-	-	-
All other revenue	603,376	57,880	19,082	-
Total revenue	12,533,013	1,778,871	119,321	991,815
Expenditures				
Instruction	6,834,159	-	-	-
Academic support	768,635	-	-	-
Student services	1,372,134	-	-	-
Public service	460,887	-	-	-
Organized research	-	-	-	-
Auxiliary services	-	-	-	-
Operations and maintenance	-	1,739,337	7,233	-
Institutional support	3,132,351	-	136,588	1,000,261
Scholarships, grants, waivers	282,622	-	-	-
Total expenditures	12,850,788	1,739,337	143,821	1,000,261
Other financing sources	-	-	-	-
Net transfers	161,942	-	(150,000)	-
Prior period adjustment	-	-	-	-
Fund balance, June 30, 2014	\$ 3,325,016	\$ 102,980	\$ 1,309,720	\$ 722,843

Restricted Purpose Fund	Auxiliary Enterprises Fund	Working Cash Fund	Audit Fund	Liability, Protection, and Settlement Fund
\$ 504,308	\$ 179,920	\$ 7,851,128	\$ 19,264	\$ 929,213
-	-	-	45,185	995,458
-	-	-	-	-
437,641	-	-	-	-
150,647	-	-	-	-
6,029,797	-	-	-	-
436,845	194,008	-	-	-
368,352	1,425,957	19,282	-	10,958
7,423,282	1,619,965	19,282	45,185	1,006,416
705,831	-	-	-	-
21,472	-	-	-	-
419,090	-	-	-	-
314,467	23,801	-	-	-
-	-	-	-	-
-	1,579,260	-	-	-
-	-	-	-	486,407
669,609	-	7,340	48,200	547,661
5,111,532	-	-	-	-
7,242,001	1,603,061	7,340	48,200	1,034,068
-	-	-	-	-
-	-	(11,942)	-	-
-	(44,886)	-	-	-
\$ 685,589	\$ 151,938	\$ 7,851,128	\$ 16,249	\$ 901,561

Highland Community College District #519

All Funds Summary (Continued)

Uniform Financial Statement #1, Fiscal Year 2014

	Total
Fund balance, July 1, 2013	\$ 15,198,751
Revenues	
Local tax revenue	8,539,357
All other local revenue	-
ICCB grants	2,291,023
All other state revenue	150,647
Federal revenue	6,067,262
Student tuition and fees	5,983,974
All other revenue	2,504,887
Total revenue	25,537,150
Expenditures	
Instruction	7,539,990
Academic support	790,107
Student services	1,791,224
Public service	799,155
Organized research	-
Auxiliary services	1,579,260
Operations and maintenance	2,232,977
Institutional support	5,542,010
Scholarships, grants, waivers	5,394,154
Total expenditures	25,668,877
Other financing sources, bond proceeds	-
Net transfers	-
Fund balance, June 30, 2014	\$ 15,067,024

Highland Community College District #519

Summary of Fixed Assets and Debt Uniform Financial Statement #2

Fiscal Year ended June 30, 2014

	Fixed Asset/Debt Account Groups June 30, 2013	Additions	Deletions	Fixed Asset/Debt Account Groups June 30, 2014
Fixed Assets				
Sites and improvements	\$ 3,912,195	\$ 14,074	\$ -	\$ 3,926,269
Construction in process	-	-	-	-
Buildings, additions and improvements	24,331,078	27,419	-	24,358,497
Equipment	2,534,430	157,631	399,873	2,292,188
Technology	3,610,587	151,872	1,237,405	2,525,054
Total fixed assets	34,388,290	350,996	1,637,278	33,102,008
Accumulated depreciation	15,963,808	1,067,666	1,637,278	15,394,196
Net fixed assets	\$ 18,424,482	\$ (716,670)	\$ -	\$ 17,707,812
Debts				
Bonds Payable	\$ 3,985,000	\$ -	\$ 865,000	\$ 3,120,000
Debt certificates	4,255,000	-	340,000	3,915,000
Accrued compensated absences	121,783	-	4,106	117,677
Capital lease payable	98,736	135,958	23,677	211,017
Unamortized premium on bonds	124,789	-	29,177	95,612
Total fixed liabilities	\$ 8,585,308	\$ 135,958	\$ 1,261,960	\$ 7,459,306

Highland Community College District #519

Operating Funds Revenues and Expenditures Uniform Financial Statement #3

Fiscal Year ended June 30, 2014

Operating Revenues by Source

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Local Government Revenue			
Local taxes	\$ 4,737,461	\$ 1,269,003	\$ 6,006,464
CPPRT	148,073	252,123	400,196
Total local government	4,885,534	1,521,126	6,406,660
State Government			
ICCB base operating grant	1,132,569	199,865	1,332,434
ICCB equalization grants	399,022	-	399,022
ICCB - Career and Technical Education	118,850	-	118,850
Other	3,076	-	3,076
Total state government	1,653,517	199,865	1,853,382
Federal Government			
Dept. of Education	29,264	-	29,264
Dept. of Labor	-	-	-
Other	8,201	-	8,201
Total federal government	37,465	-	37,465
Student Tuition & Fees			
Tuition	4,848,993	-	4,848,993
Fees	504,128	-	504,128
Total tuition & fees	5,353,121	-	5,353,121
Other Sources			
Sales and service fees	43,651	413	44,064
Facilities revenue	27,488	49,448	76,936
Investment revenue	1,215	-	1,215
Non-governmental grants	493,634	2,952	496,586
Other	37,388	5,067	42,455
Total other revenue	603,376	57,880	661,256
Total revenue	\$ 12,533,013	\$ 1,778,871	\$ 14,311,884

Highland Community College District #519

Operating Funds Revenues and Expenditures Uniform Financial Statement #3

Fiscal Year ended June 30, 2014

Operating Expenditures

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
By Program			
Instruction	\$ 6,834,159	\$ -	\$ 6,834,159
Academic support	768,635	-	768,635
Student services	1,372,134	-	1,372,134
Public service	460,887	-	460,887
Operations and Maintenance	-	1,739,337	1,739,337
Institutional support	3,132,351	-	3,132,351
Scholarships, grants, waivers	282,622	-	282,622
Transfers and other	-	-	-
Total expenditures	12,850,788	1,739,337	14,590,125
Less non-operating items*:			
Tuition chargeback	7,922	-	7,922
Transfers to Non-operating funds	(161,942)	-	(161,942)
Adjusted expenditures	\$ 12,696,768	\$ 1,739,337	\$ 14,436,105
By Object			
Salaries	\$ 8,276,694	\$ 727,574	\$ 9,004,268
Employee benefits	1,829,078	287,740	2,116,818
Contractual services	636,184	176,624	812,808
General materials and supplies	593,522	108,062	701,584
Library materials **	65,125	-	65,125
Conference and meeting expenses	177,178	267	177,445
Fixed charges	519,689	-	519,689
Utilities	48,790	651,220	700,010
Capital outlay	199,644	19,220	218,864
Student grants and scholarships**	-	-	-
Transfers and other	-	-	-
Other	705,967	(231,370)	474,597
Total expenditures	12,986,746	1,739,337	14,726,083
Less non-operating items*:			
Tuition chargeback	7,922	-	7,922
Transfers to non-operating funds	(161,942)	-	(161,942)
Adjusted expenditures	\$ 12,832,726	\$ 1,739,337	\$ 14,572,063

* 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, 2014

Revenues by Source

	Restricted Purposes Fund
State Government	
ICCB - Program Improvement Grant	\$ 146,807
ICCB - Adult Education	290,834
ICCB - Other **	-
Dept. of Corrections	-
Other ***	150,647
Total state government	588,288
Federal Government	
Dept. of Education	5,526,757
Department of Labor	158,714
Other	344,326
Total federal government	6,029,797
Other Sources	
Tuition and fees	436,845
Other	368,352
Total other sources	805,197
Total restricted purposes fund revenues	\$ 7,423,282

Expenditures by Program

Instruction	\$ 705,831
Academic support	21,472
Student services	419,090
Public service/continuing education	314,467
Organized research	-
Auxiliary services	-
Operations and maintenance	-
Institutional support	669,609
Scholarships, grants and waivers	5,111,532
Total restricted purposes fund expenditures	\$ 7,242,001

Highland Community College District #519

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

Fiscal Year ended June 30, 2014

Expenditures by Object

	Restricted Purposes Fund
Salaries	\$ 1,105,738
Employee benefits	227,712
Contractual services	356,550
Student financial aid	5,111,532
General materials and supplies	103,566
Library materials*	-
Conference and meeting expenses	34,725
Fixed charges	73,585
Utilities	5,782
Capital outlay	29,937
Other	192,874
Student grants and scholarships*	-
Total restricted purposes fund expenditures	\$ 7,242,001

* 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	\$ 47,000
	RSVP Department of Aging	22,347
	Secretary of State Family Literacy	31,300
	IL DCEO Wind Tech Bldg	50,000
Total state sources other		\$ 150,647

Highland Community College District #519

Current Funds - Expenditures by Activity Uniform Financial Statement #5

Fiscal Year ended June 30, 2014

Instruction

Instructional programs	\$ 7,539,990
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Academic Support

Library Center	268,369
Instructional Materials Center	59,281
Educational Media Services	361,134
Academic Computing Support	101,323
Other	-

Total academic support	790,107
------------------------	---------

Student Services Support

Admissions and records	329,937
Counseling and career services	620,881
Financial aid administration	588,438
Other	251,969

Total student services support	1,791,225
--------------------------------	-----------

Public Service/Continuing Education

Community education	205,152
Customized training (instructional)	196,491
Community services	397,512

Total public service/continuing education	799,155
---	---------

Auxiliary Services

1,579,258

Operations and Maintenance of Plant

Maintenance	214,502
Custodial services	610,164
Grounds	138,470
Campus security	486,407
Transportation	34,059
Utilities	650,120
Administration	92,022
Other	-

Total operations and maintenance of plant	2,225,744
---	-----------

Highland Community College District #519

Current Funds - Expenditures by Activity (Continued)

Uniform Financial Statement #5

For the year ended June 30, 2014

Institutional Support

Executive management	276,309
Fiscal operations	610,628
Community relations	270,208
Administrative support services	502,380
Board of trustees	84,238
General institutions	1,524,133
Institutional research	155,192
Administrative data processing	974,734
Other	-

Total institutional support	4,397,822
-----------------------------	-----------

Scholarships, Student Grants & Waivers	5,394,154
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Total current funds expenditures	\$ 24,517,455
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* 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 2015


For the year ended June 30, 2014

All Fiscal Year 2014 Noncapital Audited Operating Expenditures from the Following Funds:

1. Education Fund	\$ 12,790,530
2. Operations and Maintenance Fund	1,720,117
3. Public Building Commission Operation and Maintenance Fund	-
4. Bond and Interest Fund	1,000,261
5. Public Building Commission Rental Fund	-
6. Restricted Purposes Fund	5,289,898
7. Audit Fund	48,200
8. Liability, Protection, and Settlement Fund	1,034,068
9. Auxiliary Enterprises Fund (subsidy only)	-
10. Total non-capital audited expenditures	21,883,074
11. Depreciation on capital outlay expenditures (equipment, buildings, and fixed equipment paid) from sources other than state and federal funds	1,175,099
12. TOTAL COSTS INCLUDED	\$ 23,058,173
13. Total certified semester credit hours for FY 2014	43,952.50
14. PER CAPITA COST	\$ 524.62
15. All FY 2014 state and federal operating grants for noncapital expenditures, except ICCB grants	\$ 5,840,577
16. FY 2014 state and federal grants per semester credit hour	132.88
17. District's average ICCB grant rate (excluding equalization grants) for FY 2015	26.01
18. District's student tuition and fee rate per semester credit hour for FY 2015	118.00
19. Chargeback reimbursement per semester credit hour	\$ 247.72

Approved: 
Chief Fiscal Officer

10/8/14
Date

Approved: 
President

10/8/14
Date

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, 2014, and the related notes to the 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 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, 2014, 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 District'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.

Wipfli LLP

Freeport, Illinois
October 8, 2014

Highland Community College District #519

Career and Technical Education-Program Improvement Balance Sheet

For the year ended June 30, 2014

Assets

Cash	\$	-
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Liabilities and Fund Balance

Accounts payable	\$	-
Cash overdraft		-

Fund balance - unreserved		-
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Total liabilities and fund balance	\$	-
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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, 2014

	Actual
Revenue	
State sources	\$ 8,771
Expenditures	
Current year's grant	
Contractual services	-
Materials and supplies	7,590
Conference and meeting expenses	1,181
Other expenditures	-
Total expenditures	8,771
Excess (shortage) of revenue over (under) expenditures	-
Transfer in (out) from (to) other funds	-
Fund balance, July 1, 2013	-
Fund balance, June 30, 2014	\$ -

Highland Community College District #519

State Adult Education and Family Literacy Restricted Funds Balance Sheet

June 30, 2014

	State Basic	Public Assistance	Performance	Total (Memorandum Only)
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Accounts receivable	6,953	5,317	4,215	16,485
Total assets	\$ 6,953	\$ 5,317	\$ 4,215	\$ 16,485
Liabilities and Fund Balance				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Cash overdraft	6,953	5,317	4,064	16,334
Accrued expenses	-	-	151	151
Total liabilities	6,953	5,317	4,215	16,485
Fund balance	-	-	-	-
Total liabilities and fund balance	\$ 6,953	\$ 5,317	\$ 4,215	\$ 16,485

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, 2014

	Actual			
	State Basic	Public Assistance	Performance	Total
Revenue				
State sources	\$ 83,425	\$ 63,817	\$ 50,562	\$ 197,804
Expenditures				
Instruction	38,821	30,340	-	69,161
Social work services	17,813	13,351	13,567	44,731
Student transportation services	-	-	-	-
Literacy Services	604	457	-	1,061
Guidance services	15,270	11,412	4,882	31,564
Assessment & Testing	6,428	4,861	13,063	24,352
Child Care Services	-	-	-	-
Improvement of instructional services	1,259	954	218	2,431
General administration	-	-	2,400	2,400
Operation & maintenance of plant services	-	-	324	324
Workforce coordination	-	-	4,320	4,320
Data & information services	3,230	2,442	11,788	17,460
Total expenditures	83,425	63,817	50,562	197,804
Excess of revenue over (under) expenditures	-	-	-	-
Transfers from (to) other funds	-	-	-	-
Excess of revenue over (under) expenditures and transfers	-	-	-	-
Fund balance, July 1, 2013	-	-	-	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ -	\$ -

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, 2014

State Basic	Audited Expenditure Amount	Actual Expenditure Percentage
Instruction (45% Minimum Required)	38,821	46.53%
General Administration (15% Maximum Allowed)	-	0.00%

State Public Assistance	Audited Expenditure Amount	Actual Expenditure Percentage
Instruction (45% Minimum Required)	30,340	47.54%
General Administration (15% Maximum Allowed)	-	0.00%

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 85 - 89) 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, 2014. Funds obligated for goods prior to June 30 for which the goods are received prior to August 31, 2014 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 Accountant's Report on the Enrollment Data and Other Bases Upon Which Claims are Filed

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

We have examined the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed of Highland Community College District #519 for the year ended June 30, 2014. The Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed is the responsibility of the District's management. Our responsibility is to express an opinion on the schedule based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the guidelines of the Illinois Community College Board's *Fiscal Management Manual*, and accordingly, including 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with statutory requirements.

In our opinion, the Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed 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 District #519 for the year ended June 30, 2014, in conformity with 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, 2014, and our report thereon dated October 8, 2014, expressed as an unmodified opinion on those financial statements.

Wipfli LLP

Freeport, Illinois
October 8, 2014

Highland Community College District #519

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

For the year ended June 30, 2014

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

<u>Categories</u>	<u>Summer</u>		<u>Fall</u>		<u>Spring</u>		<u>Total</u>
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>	
Baccalaureate	2,574.5	-	11,459.5	16.0	11,011.5	10.0	25,071.5
Business Occupational	147.0	-	751.0	-	1,051.0	-	1,949.0
Technical Occupational	353.0	21.0	2,198.5	-	2,930.0	21.0	5,523.5
Health Occupational	511.0	-	1,887.0	-	2,513.5	-	4,911.5
Remedial Developmental	350.0	-	2,278.0	96.0	1,675.0	28.0	4,427.0
Adult Basic Education/Adult	-	-	37.0	989.5	20.0	1,023.5	2,070.0
Secondary Education							
Total credit hours certified	3,935.5	21.0	18,611.0	1,101.5	19,201.0	1,082.5	43,952.5
<u>Attending</u>		<u>Attending</u>		<u>Attending</u>		<u>Total</u>	
<u>In-District</u>		<u>Out-of-District</u>		<u>Out-of-District</u>			
		<u>on Chargeback or</u>		<u>on Chargeback or</u>			
		<u>Contractual Agreement</u>		<u>Contractual Agreement</u>			
Semester Credit Hours	39,546.5		633.0		633.0		40,179.5
<u>Reimbursable Semester Credit Hours (All Terms)</u>		<u>Dual Credit</u>		<u>Dual Enrollment</u>			
		3,790.0		709.0			

Highland Community College District #519

Reconciliation of Total Semester Credit Hours

For the year ended June 30, 2014

Categories	Total Unrestricted Credit Hours	Total Unrestricted Credit Hours Certified to the ICCB	Difference	Total Restricted Credit Hours	Total Restricted Credit Hours Certified to the ICCB	Difference
Baccalaureate	25,045.5	25,045.5	-	26.0	26.0	-
Business Occupational	1,949.0	1,949.0	-	-	-	-
Technical Occupational	5,481.5	5,481.5	-	42.0	42.0	-
Health Occupational	4,911.5	4,911.5	-	-	-	-
Remedial Developmental	4,303.0	4,303.0	-	124.0	124.0	-
Adult Basic Education/Adult Secondary Education	57.0	57.0	-	2,013.0	2,013.0	-
Total	41,747.50	41,747.50	-	2,205.00	2,205.00	-

Reconciliation of In-District/Chargeback Agreement Credit Hours

	Total Attending	Total Attending Certified to ICCB	Difference
In-District Residents	39,546.5	39,546.5	-
Out-of-District on Chargeback	633.0	633.0	-
Total	40,179.5	40,179.5	-

	Total Attending	Total Attending Certified to ICCB	Difference
Dual Credit	3,790.0	3,790.0	-
Dual Enrollment	709.0	709.0	-

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, 2014 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, 2014.

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.

Wipfli LLP

Freeport, Illinois
October 8, 2014

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, 2014. 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 for Compliance

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

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, 2014.

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, 2014, 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, 2014, 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, 2014

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</u>				
<u>Grantor/Program Title:</u>				
<u>U.S. Department of Education:</u>				
Direct Programs				
Supplemental Education Opportunity Grant FY 14 **	84.007	P007A131164	\$ 38,101	\$ 38,101
Federal Work Study Program FY 14 **	84.033	P033A131164	83,945	83,945
Pell Grant Program FY 14 **	84.063	P063P131346	3,426,730	3,426,730
Pell Grant Program Administrative Allowance FY 14 **	84.063	P063P131346	6,020	6,020
Federal Direct Student Loans**	84.268	P268K141346	<u>1,648,352</u>	<u>1,648,352</u>
Total Student Financial Aid cluster			<u>5,203,148</u>	<u>5,203,148</u>
Title IV Grant 2014, Student Support Services	84.042A	P042A100463-13	246,430	246,430
Title IV Grant 2013, Student Support Services	84.042A	P042A100463-13	<u>77,179</u>	<u>77,179</u>
Total Trio Grant cluster			<u>323,609</u>	<u>323,609</u>
Passed through the Illinois Community College Board:				
CTE Perkins Postsecondary	84.048A	CTE51914	138,036	138,036
Federal Basic	84.002A	51-901	74,763	74,763
EI/Civics	84.002A	51-901	<u>18,267</u>	<u>18,267</u>
Total U.S. Department of Education			<u>231,066</u>	<u>231,066</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 Labor:</u>				
Passed through the Illinois Department of Commerce and Economic Opportunity:				
IGEN-TAA	17.282	TC-225171160A17	158,714	158,714
Trade Adjustment Act	17.245	12-653004	18,752	18,752
		11-661004	114,547	114,547
		10-662004	38,323	38,323
WIA Adult Program	17.258	12-681004	<u>102,191</u>	<u>102,191</u>
Total U.S. Department of Labor			432,527	432,527
<u>U.S. Department of Health & Human Services:</u>				
Direct Program - Retired Senior Volunteer Program (RSVP)	94.002	13SRNIL008	49,040	49,040
<u>National Science Foundation:</u>				
Direct Program Grant	47.076	1003448	<u>21,472</u>	<u>21,472</u>
Total Activity of Federal Awards			<u>\$6,260,862</u>	<u>\$6,260,862</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, 2014. 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, 2014, the District had no sub-recipients of federal funds.

Note 4 Nonmonetary Assistance

For the year ended June 30, 2014, 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, 2014.

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: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

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

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

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X 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

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

Auditee qualified as low risk auditee? X 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

None

B. Compliance Findings

None

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

Current Number	Comment	Corrective Action Plan	Completion	Person
None				

Summary Schedule of Prior Year Audit Findings

June 30, 2013

Section II Financial Statement Finding

None

Section III Findings and Questioned Costs for Federal Awards

None

June 30, 2012

Section II Financial Statement Finding

None

Section III Findings and Questioned Costs for Federal Awards

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, 2014 and October 8, 2014 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, 2014 - October 8, 2014

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.