

Highland Community College  
District #519

Freeport, Illinois

Annual Financial Report

June 30, 2017

# Highland Community College District #519

Year Ended June 30, 2017

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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 (the District) as of and for the year ended June 30, 2017, 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; 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 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. The financial statements of Highland Community College Foundation were not audited in accordance with *Government Auditing Standards*.

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 respective 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, 2017, 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 require that the Management Discussion and Analysis and the Schedules of Share of Net Pension Liability and Contributions, 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Other Financial Information and ICCB Supplementary Information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards in the annual federal financial compliance section is presented for purposes of additional analysis as required by U.S. Office of Management and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The ICCB Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the ICCB Supplementary Information and the Annual Federal Financial Compliance section are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Other Financial Information 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 2, 2017 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 2, 2017



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**Management Discussion and Analysis**

# Highland Community College District #519

## Management Discussion and Analysis

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### Introduction

This section of Highland Community College District 519's (the District) financial report presents management's discussion and analysis of the financial position and results of activities of the District as of June 30, 2017. 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, 2017 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/Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. 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, 2017 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

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### **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. A significant amount of 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

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### Condensed Financial Information

Net position is summarized in the table below.

#### Condensed Statement of Net Position June 30,

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Current Assets	\$26,469,793	\$26,368,999
Non-current Assets:		
Capital (Fixed) assets	<u>18,066,396</u>	<u>18,299,538</u>
Total assets	<u>\$44,536,189</u>	<u>\$44,668,537</u>
Total deferred outflows of resources	<u>\$ 165,015</u>	<u>\$ 181,843</u>
<b>Liabilities:</b>		
Current Liabilities	\$ 5,469,679	\$ 5,749,165
Non-current Liabilities	<u>6,662,178</u>	<u>8,667,729</u>
Total liabilities	<u>\$12,131,857</u>	<u>\$14,416,894</u>
Total deferred inflows of resources	<u>\$ 4,730,765</u>	<u>\$ 4,705,934</u>
<b>Net Position:</b>		
Net investment in capital assets	\$11,770,322	\$11,551,481
Restricted, expendable:		
Capital projects	1,882,854	2,282,550
Debt service	964,572	998,170
Working cash	10,338,285	10,338,285
Other	901,263	863,273
Unrestricted	<u>1,981,286</u>	<u>(306,207)</u>
Total net position	<u>\$27,838,582</u>	<u>\$25,727,552</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 2017 include building improvements and chemistry lab renovations. Major projects begun in fiscal year 2017 were completed prior to the fiscal year end.

# Highland Community College District #519

## Management Discussion and Analysis

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### Condensed Financial Information (Continued)

The District's current liabilities are 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>2017</u>	<u>2016</u>
Total operating revenues	\$ 6,737,928	\$ 6,992,995
Total operating expenses	<u>27,086,467</u>	<u>26,174,063</u>
Operating loss	(20,348,539)	(19,181,068)
Nonoperating revenues (expenses)	<u>22,459,569</u>	<u>18,854,534</u>
Change in net position	2,111,030	(326,534)
Net position, beginning of year	<u>25,727,552</u>	<u>26,054,086</u>
Net position, end of year	<u>\$27,838,582</u>	<u>\$25,727,552</u>

Sources of operating revenues for the District include: tuition and fees, \$3,930,915, auxiliary enterprises revenue, \$1,323,023, and other revenues, \$1,483,990. Nonoperating revenues and operating expenses include a State Universities Retirement System of Illinois (SURS) contribution provided by the State in the amount of \$5,970,598.

# Highland Community College District #519

## Management Discussion and Analysis

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### 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 non-operating revenue include state appropriations, \$2,250,339, property and replacement taxes, \$9,866,882, and federal grants and contracts, \$4,491,080. The increase in net position for fiscal year 2017 is \$2,111,030.

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>2017</u>	<u>2016</u>
Instruction	\$ 10,514,935	\$ 9,629,781
Academic support	1,127,928	1,047,691
Student services	4,189,387	4,348,506
Public services	957,287	920,075
Operations and maintenance of plant	2,414,500	2,365,044
General administration	1,990,702	2,152,301
Independent operations	-	-
Institutional support	2,570,990	2,600,472
Auxiliary enterprises	1,465,314	1,458,176
Scholarships, grants, waivers	430,317	403,417
Capital projects	-	-
Depreciation	<u>1,425,105</u>	<u>1,248,600</u>
Total operating expenses	<u>\$27,086,467</u>	<u>\$26,174,063</u>
Interest expense and other	<u>\$194,973</u>	<u>\$144,692</u>

The main factors contributing to the change in the District's operating revenues in fiscal year 2017 is the increase in student tuition and fees of \$204,772 and decrease in other operating revenues of \$312,412.

# Highland Community College District #519

## Management Discussion and Analysis

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### **Condensed Financial Information (Continued)**

Changes in operating expenses from 2016 to 2017 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. Operating expenses, excluding depreciation, increased due to a reduction in transfers from other funds to support operations.

### **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 \$2,111,030. Using the prior method of reporting, which reflects the day-to-day operations of the District, the Combined Balance Sheet for All Fund Types and Account Groups reflects an overall increase in the District's fund balance/net position totaling \$348,287. The variance in results of \$1,762,743 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, 2017, of key importance is the fund balance in the Operating Funds, which increased by \$961,359 from June 30, 2016 to June 30, 2017. This increase results in a fund balance amount of \$3,879,803, which is approximately 28% of the 2017 expenditures and is within the District's recommended guidelines. This increase is due to the State budget being adopted on July 6, 2017 resulting in appropriations for the community college system. The District has recognized a receivable from the State as of June 30, 2017 but was not paid for the appropriation as of that date. 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, 2017, the District invested \$1,191,963 in capital assets. This includes \$1,084,225 for buildings and improvements, and \$107,738 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

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### **Capital Assets/Long Term Debt (Continued)**

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%, maturing 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. 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.

Series 2014 General Obligation Bonds were issued in November, 2014. \$3,225,000 bonds were issued for the purpose of renovating, improving, and equipping the District's buildings. 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%, commencing July 1, 2015 and maturing on January 1, 2021.

Working cash bonds of \$2,465,000 were issued in fiscal year 2016. 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 3.00%, maturing January 1, 2020.

Additional information on the District's capital assets and 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 and local economy, actual and projected enrollment, 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 2018.

# Highland Community College District #519

## Management Discussion and Analysis

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### **Factors or Conditions Impacting Future Periods (Continued)**

Property tax revenue in the Operating Funds has increased by less than 1% for fiscal year 2017, similar to fiscal year 2016, which was the first increase experienced in 5 years. The District experienced a 1.6% increase in equalized assessed valuation (EAV) from tax year 2015 to 2016. For fiscal year 2018, the District has estimated a 1.5% increase in EAV due to the economic conditions of the District. Each percentage point in EAV is the equivalent of about \$35,000 in property tax revenue in the Operating funds.

Management anticipates a 3% increase in tuition revenue in fiscal year 2018 based on estimated 5% decrease in credit hour enrollment for the 2017-2018 academic year, combined with a \$12 increase in tuition.

The State of Illinois adopted a budget for fiscal year 2018 via legislative override of Governor Bruce Rauner's veto on July 6, 2017. State appropriations for the District for fiscal year 2018 are \$617,882 less than the fiscal year 2017 State funding. At the State level, corporate personal property replacement tax is being reallocated to support community college and other funding streams. As a result, the District has budgeted for a decrease in corporate personal property replacement tax of \$102,081 in fiscal year 2018. Overall, Operating funds revenue is expected to decrease by \$501,990, 3%, from fiscal year 2017 actual levels to fiscal year 2018.

For fiscal year 2018, the Operating funds budget includes expenditures in excess of revenues in the amount of \$806,543. 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 2018 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 has completed a comprehensive strategic planning process that began in 2016. Strategic plans and goals have been identified through that process, with areas of focus on marketing, competition, academic programs, curriculum and instruction, staff and faculty, student financial issues, and facilities, finance, and infrastructure identified.

# Highland Community College District #519

## Management Discussion and Analysis

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### **Factors or Conditions Impacting Future Periods (Continued)**

Short and long-range strategies associated with the areas of focus and goals will 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/Net Assets

June 30, 2017

<b>Assets</b>	Primary Government	Component Unit Highland Community College Foundation
Current assets:		
Cash and cash equivalents	\$ 3,330,684	\$ 488,739
Investments	11,411,480	20,379,833
Receivables:		
Taxes	7,291,043	-
Related party	14,144	-
Other, net of \$1,496,985 allowance for doubtful accounts	3,980,944	1,012,012
Inventories	386,581	-
Prepaid expense	54,917	1,643
Total current assets	26,469,793	21,882,227
Non-current assets:		
Land	110,000	-
Fixed assets	35,715,579	71,178
Less allowance for accumulated depreciation	(17,759,183)	(57,106)
Total non-current assets	18,066,396	14,072
Total assets	44,536,189	21,896,299
<b>Deferred Outflows of Resources</b>		
SURS pension contribution	34,468	-
Deferred charge on refunding	130,547	-
Total deferred outflows of resources	165,015	-
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	88,195	168,827
Accounts payable, related party	-	13,687
Accrued expenses	509,164	144,857
Agency deposits	417,948	-

See accompanying notes to financial statements.

Unearned tuition revenue	2,349,133	-
Accrued compensated absences	102,182	-
Capital lease payable	38,972	-
Debt certificates payable	380,000	-
Bonds payable, including unamortized premium	1,584,085	-
<b>Total current liabilities</b>	<b>5,469,679</b>	<b>327,371</b>
Non-current liabilities:		
Accrued compensated absences	23,750	-
Other postemployment benefits	135,411	-
Capital lease payable	63,527	-
Debt certificates payable	2,445,000	-
Bonds payable, including unamortized premium	3,994,490	-
<b>Total non-current liabilities</b>	<b>6,662,178</b>	<b>-</b>
<b>Total liabilities</b>	<b>12,131,857</b>	<b>327,371</b>
<b>Deferred Inflows of Resources</b>		
Property taxes	4,730,765	-
<b>Total deferred inflows of resources</b>	<b>4,730,765</b>	<b>-</b>
<b>Net Position/Net Assets</b>		
Net investment in capital assets	11,770,322	-
Restricted, expendable:		
Capital projects	1,882,854	-
Debt service	964,572	-
Working cash	10,338,285	-
Other	901,263	-
Temporarily restricted	-	5,884,751
Permanently restricted	-	4,747,110
Unrestricted - Board designated	-	7,956,887
Unrestricted	1,981,286	2,980,180
<b>Total net position/net assets</b>	<b>\$ 27,838,582</b>	<b>\$ 21,568,928</b>

# Highland Community College District #519

## Statement of Revenues, Expenses, and Changes in Net Position/Net Assets

For the year ended June 30, 2017

	Primary Government	Component Unit Highland Community College Foundation
<b>Revenues</b>		
Operating Revenues:		
Student tuition and fees, net of scholarship allowances of \$1,929,813	\$ 3,930,915	\$ -
Auxiliary enterprises revenue	1,323,023	-
Other operating revenues	1,483,990	877,024
Total operating revenues	6,737,928	877,024
<b>Expenses</b>		
Operating Expenses:		
Instruction	10,514,938	-
Academic support	1,127,928	-
Student services	4,189,387	-
Public services	957,287	-
Operations and maintenance of plant	2,414,500	-
General administration	1,990,702	-
Institutional support	2,570,990	519,881
Auxiliary enterprises	1,465,314	-
Scholarships, student grants, and waivers	430,317	1,325,917
Depreciation	1,425,105	-
Total operating expenses	27,086,467	1,845,798
Operating income (loss)	(20,348,539)	(968,774)
<b>Non-operating revenues (expenses)</b>		
State sources	2,250,339	-
SURS contribution provided by state	5,970,598	-
Property and replacement taxes	9,866,882	-
Federal grants and contracts	4,491,080	-
Interest expense and other	(194,973)	-
Investment income earned	75,643	2,145,868
Total non-operating revenues	22,459,569	2,145,868
Change in net position/net assets	2,111,030	1,177,094
Net position/net assets, beginning of year	25,727,552	20,391,834
Net position/net assets, end of year	\$ 27,838,582	\$ 21,568,928

# Highland Community College District #519

## Statement of Cash Flows

For the year ended June 30, 2017

	Primary Government
<b>Cash Flows from Operating Activities</b>	
Tuition and fees	\$ 5,373,492
Payments to/for:	
Employees	(9,889,482)
Suppliers and students	(11,510,442)
Auxiliary enterprises	1,357,663
Other receipts	1,060,432
Net cash provided by (used in) operations	(13,608,337)
<b>Cash Flows from Noncapital Financing Activities</b>	
State sources	1,235,027
Property and replacement taxes	10,811,389
Federal grants and contracts	4,249,604
Net cash provided by (used for) noncapital financing activities	16,296,020
<b>Cash Flows from Capital Financing Activities</b>	
Purchases of capital assets and construction	(1,191,963)
Proceeds from long term debt	-
Principal paid on capital debt	(2,006,983)
Interest paid on capital debt	(194,973)
Net cash provided by (used for) capital financing activities	(3,393,919)
<b>Cash Flows from Investing Activities</b>	
Maturity of investments	2,614,863
Purchase of investments	(1,799,153)
Interest and earnings on investments	75,643
Net cash provided by (used for) investing activities	891,353
Net increase (decrease) in cash and cash equivalents	185,117
Beginning cash and cash equivalents	3,145,567
Ending cash and cash equivalents	\$ 3,330,684
<b>Noncash, Capital and Related Financing Activities:</b>	
SURS contribution paid by state	\$ 5,970,598



# Highland Community College District #519

## Statement of Cash Flows (Continued)

For the year ended June 30, 2017

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Primary  
Government

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

Operating income (loss) \$ (20,348,539)

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

Depreciation expense	1,425,105
On-behalf payments for SURS	5,970,598
Changes in net assets:	
Receivables (net)	(423,558)
Inventories	34,640
Prepaid expenses	(5,357)
SURS pension contribution	16,828
Accounts payable	(227,637)
Accrued expenses	(59,681)
Accrued compensated absences	18,119
Other post employment benefits	-
Deposits held in custody for others	4,629
Unearned tuition and fees	(13,484)

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**Net cash provided (used) by operating activities \$ (13,608,337)**

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# Highland Community College District #519

## Notes to Financial Statements

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### **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 Standards relating to accounting for contributions received and contributions made and 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.

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.

# Highland Community College District #519

## Notes to Financial Statements

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### **Note 1 Summary of Significant Accounting Policies (Continued)**

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.

### **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.

# Highland Community College District #519

## Notes to Financial Statements

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### **Note 1 Summary of Significant Accounting Policies (Continued)**

#### **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.

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.

# Highland Community College District #519

## Notes to Financial Statements

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### **Note 1 Summary of Significant Accounting Policies (Continued)**

#### **Investments (Continued)**

- 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.

#### **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, 2017.

#### **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.

#### **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 2015 and 2016 were allocated fifty percent for each of the two years after the levy year.

# Highland Community College District #519

## Notes to Financial Statements

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### Note 1 Summary of Significant Accounting Policies (Continued)

#### Property Taxes (Continued)

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.

Following are the tax rates for the last three years, and the statutory maximum tax rates. The 2016 rate is for tax levy payable in calendar year 2017, per \$100 of assessed valuation.

	Statutory Maximum Rate	2014 Rate	2015 Rate	2016 Rate
Education Fund*	\$.1750	\$.2800	\$.2800	\$.2800
Operations and Maintenance Fund	.0750	.0750	.0750	.0750
Average Additional	.2100	.0000	.0000	.0000
Liability Insurance	None	.0499	.0497	.0489
Audit Fund	.0050	.0027	.0027	.0026
Protection, Health, & Safety	.0500	.0061	.0482	.0474
Social Security/Medicare Fund**	None	.0076	.0076	.0075
Prior Year Adjustment	None	.0000	.0000	.0000
Bond and Interest Fund	None	<u>.0621</u>	<u>.1032</u>	<u>.1000</u>
Total		<u>\$ .4834</u>	<u>\$ .5664</u>	<u>\$ .5614</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.

#### 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, 2017, have been recognized as unearned revenues.

#### Prepaid Expense

Prepaid expenses relate to expenditures the District has paid for prior to year end, but relate to fiscal year 2018.

# Highland Community College District #519

## Notes to Financial Statements

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### **Note 1 Summary of Significant Accounting Policies (Continued)**

#### **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 has only two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the Statement of Net Position. A deferred charge on a refunding results from the difference in the 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. The SURS pension contribution is the other expense deferred until the following year.

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.

#### **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.

# Highland Community College District #519

## Notes to Financial Statements

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### **Note 1 Summary of Significant Accounting Policies (Continued)**

#### **Out-of-District Tuition**

The amount of cost to be charged for out-of-district students during the year ended June 30, 2017, has been computed using the guidelines provided in the 2016 edition of the Fiscal Management Manual prepared by the Illinois Community College Board.

#### **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, 2017, the District recorded a vacation liability of \$102,182. 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, 2017, the District recorded a sick pay liability of \$23,750. The District considers this liability non-current.

#### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS or the System) and additions to/deductions from SURS' plan net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.



# Highland Community College District #519

## Notes to Financial Statements

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### Note 2 Capital assets

The following is a summary of the changes in general fixed assets of the District for the year ended June 30, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
Land (non-depreciable)	\$ 110,000	\$ -	\$ -	\$ 110,000
Construction in process	-	-	-	-
Land improvements	3,978,411	-	-	3,978,411
Buildings	24,994,764	1,084,225	-	26,078,989
Equipment	2,750,289	54,590	-	2,804,879
Technology	<u>2,800,152</u>	<u>53,148</u>	<u>-</u>	<u>2,853,300</u>
	<u>\$34,633,616</u>	<u>\$1,191,963</u>	<u>\$ -</u>	<u>\$35,825,579</u>

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
Land improvements	\$ 3,707,346	\$ -	\$ 3,493	\$ 3,703,853
Buildings	10,240,869	508,391	-	10,749,260
Equipment	1,631,721	285,758	-	1,917,479
Technology	<u>754,142</u>	<u>634,449</u>	<u>-</u>	<u>1,388,591</u>
	<u>\$16,334,078</u>	<u>\$1,428,598</u>	<u>\$ 3,493</u>	<u>\$17,759,183</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

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### **Note 3 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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Uniform Guidance Compliance Supplement.

### **Note 4 On-Behalf Payments for Fringe Benefits and Salaries**

The District 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 2017 and 2016, the state made contributions of \$5,970,598 and \$4,533,972, respectively (see Note 5).

### **Note 5 Pension Plan**

#### **General Information about the Pension Plan**

*Plan Description.* The College contributes to the State Universities Retirement System of Illinois, a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State of Illinois (the State) 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 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](http://www.SURS.org).

*Benefits Provided.* A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2016 can be found in the System's comprehensive annual financial report (CAFR) Notes to the Financial Statements.

*Contributions.* The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from

# Highland Community College District #519

## Notes to Financial Statements

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### **Note 5 Pension Plan (Continued)**

#### **General Information about the Pension Plan (Continued)**

*Contributions (continued)* “trust, federal, and other funds” are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2016 and 2017 respectively, was 12.69% and 12.53% of employee payroll. The normal cost is equal to the value of current year’s pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15.139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of “affected annuitants” or specific return to work annuitants) and Section 15.155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

#### **Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Net Pension Liability* At June 30, 2016, SURS reported a net pension liability (NPL) of \$25,965,271,744. The net pension liability was measured as of June 30, 2015.

*Employer Proportionate Share of Net Pension Liability* The amount of the proportionate share of the net pension liability to be recognized for the District is \$0. The proportionate share of the State’s net pension liability associated with the District is \$60,412,403 or 0.2327%. This amount should not be recognized in the financial statement. The net pension liability was measured as of June 30, 2016, and the total pension used to calculate the net pension liability was determined based on the June 30, 2015 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable earnings made to SURS during fiscal year 2016.

*Pension Expense* At June 30, 2016 SURS reported a collective net pension expense of \$2,566,164,865.

*Employer Proportionate Share of Pension Expense* The employer proportionate share of collective pension expense should be recognized similarly to on behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable earnings made to SURS during fiscal year 2016. As a result, the District recognized on-behalf revenue and pension expense of \$5,970,598 for the fiscal year ended June 30, 2017.

# Highland Community College District #519

## Notes to Financial Statements

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### Note 5 Pension Plan (Continued)

#### Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* Deferred outflows of resources are the consumption of net position by the system that is applicable to future reporting periods.

#### SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 14,215,882	\$ 2,298,574
Changes in assumption	655,463,758	-
Net difference between projected and actual earnings on pension plan investments	1,431,081,306	635,552,976
<b>Total</b>	<b>\$2,100,760,946</b>	<b>\$ 637,851,550</b>

#### SURS Collective Deferred Outflows and Deferred Inflows of Resources by Year to be recognized in Future Pension Expenses

Year Ending June 30	Net Deferred Outflows of Resources
2017	\$539,536,680
2018	275,426,885
2019	401,520,624
2020	246,425,207
2021	-
Thereafter	-
<b>Total</b>	<b>\$1,462,909,396</b>

#### Employer Deferral of Fiscal Year 2017 Pension Expense

The District paid \$34,468 in federal, trust or grant contributions for the fiscal year ended June 30, 2017. These contributions were made subsequent to the pension liability measurement date of June 30, 2016 and are recognized as Deferred Outflows of Resources as of June 30, 2017.

# Highland Community College District #519

## Notes to Financial Statements

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### Note 5 Pension Plan (Continued)

#### Assumptions and Other Inputs

*Actuarial assumptions.* The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period June 30, 2010 – 2014. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 15.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

Mortality rates were based on the RP2014 Combined Mortality Table, with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23%	6.08%
Private Equity	6%	8.73%
Non-U.S. Equity	19%	6.95%
Global Equity	8%	6.78%
Fixed Income	19%	1.17%
Treasury-Inflation Protected Securities	4%	1.41%
Emerging Market Debt	3%	4.44%
Real Estate REITS	4%	5.75%
Direct Real Estate	6%	4.62%
Commodities	2%	4.23%
Hedged Strategies	5%	4.00%
Opportunity Fund	1%	6.54%
<b>Total</b>	<b>100%</b>	<b>5.09%</b>
<b>Inflation</b>		<b>2.75%</b>
<b>Expected Arithmetic Return</b>		<b>7.84%</b>

# Highland Community College District #519

## Notes to Financial Statements

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### Note 5 Pension Plan (Continued)

**Discount Rate.** A single discount rate of 7.01% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 2.85% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System’s funding policy. Based on these assumptions, the pension plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

*Sensitivity of the System’s Net Pension Liability to Changes in the Discount Rate.* Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan’s net pension liability, calculated using a single discount rate of 7.01%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.01%	Current Single Discount Rate Assumption 7.01%	1% Increase 8.01%
\$31,348,831,631	\$25,965,271,744	\$21,502,421,700

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at [www.SURS.org](http://www.SURS.org).

### Note 6 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.

# Highland Community College District #519

## Notes to Financial Statements

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### Note 6 Other Postemployment Benefits (Continued)

*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 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, 2017 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, 2011	<u>\$45,544</u>	<u>\$13,495</u>	29.6%	<u>\$32,049</u>
June 30, 2012	<u>\$45,544</u>	<u>\$13,495</u>	29.6%	<u>\$64,098</u>
June 30, 2013	<u>\$45,544</u>	<u>\$13,495</u>	29.6%	<u>\$96,147</u>
June 30, 2014	<u>\$44,303</u>	<u>\$31,215</u>	71.0%	<u>\$109,235</u>
June 30, 2015	<u>\$44,303</u>	<u>\$31,215</u>	71.0%	<u>\$122,323</u>
June 30, 2016	<u>\$44,303</u>	<u>\$31,215</u>	71.0%	<u>\$135,411</u>
June 30, 2017	<u>\$44,303</u>	<u>\$44,303</u>	100.0%	<u>\$135,411</u>

# Highland Community College District #519

## Notes to Financial Statements

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### Note 6 Other Postemployment Benefits (Continued)

The net OPEB obligation as of June 30, 2017, was calculated as follows:

Annual required contribution	\$ 44,303
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>44,303</u>
Contribution made	<u>(44,303)</u>
Increase in net OPEB obligation	-
 Net OPEB obligation, beginning of year	 <u>135,411</u>
 Net OPEB obligation, end of year	 <u>\$135,411</u>

*Funded Status and Funding Progress.* The funded status of the plan on June 30, 2014 (the date of the last actuarial valuation) and June 30, 2011 (the date of the first actuarial valuation), was as follows:

	<u>6/30/14</u>	<u>6/30/11</u>
Actuarial accrued liability (AAL)	\$358,921	\$305,038
Actuarial value of plan assets	<u>-</u>	<u>-</u>
 Unfunded actuarial accrued liability (UAAL)	 <u>\$358,921</u>	 <u>\$305,038</u>
 Funded ratio (actuarial value of plan assets/AAL)	 0%	 0%
Covered payroll (active members)	N/A	N/A
UAAL as a percentage of covered payroll	N/A	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.



# Highland Community College District #519

## Notes to Financial Statements

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### **Note 6 Other Postemployment Benefits (Continued)**

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.

*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.

# Highland Community College District #519

## Notes to Financial Statements

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### Note 6 Other Postemployment Benefits (Continued)

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.

### Note 7 Deposits and Investments

Cash and investments as of June 30, 2017 consist of the following:

	<b><u>Carrying Amount</u></b>
Cash and cash equivalents	\$ 3,330,684
Marketable certificates of deposit and money market	1,427,443
ISDLAF External investment pool	9,978,890
IPTIP External investment pool	<u>5,147</u>
<b>Total</b>	<b><u>\$14,742,164</u></b>

#### 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 \$14,740,959 and the bank balance was \$14,873,010.

Of the bank balance, \$14,873,010 was covered by federal depository insurance or 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, 2017, the District's investments were as follows:

	<b><u>Carrying Amount</u></b>	<b><u>Market Value</u></b>
Marketable certificates of deposit and money market	\$1,427,443	\$1,427,443
External investment pool	9,984,037	9,984,037
Total investments	<u>\$11,411,480</u>	<u>\$11,411,480</u>

# Highland Community College District #519

## Notes to Financial Statements

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### Note 7 Deposits and Investments (Continued)

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 2017.

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

#### **Interest Rate Risk**

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

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

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			<u>Total</u>
	<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	
External investment pool	<u>\$9,984,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$9,984,037</u>

#### **Credit Risk**

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

<u>Investment Type</u>	<u>June 30, 2017</u>	<u>AAAm</u>	<u>Aa</u>	<u>Unrated</u>
External investment pool	<u>\$9,984,037</u>	<u>\$9,984,037</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.

# Highland Community College District #519

## Notes to Financial Statements

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### **Note 7 Deposits and Investments (Continued)**

#### **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, 2017 there are no investments with custodial credit risk.

#### **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.

# Highland Community College District #519

## Notes to Financial Statements

### Note 8 Changes in General Long-term Debt

	<u>Balance</u> <u>July 1, 2016</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
2012 G.O. Rfdg. Debt Cert.	\$3,195,000	\$ -	\$370,000	\$2,825,000
2012 Gen. Oblig. WC Bonds	1,300,000	-	955,000	345,000
2014 G.O. Bonds	3,225,000	-	-	3,225,000
2016 Gen. Oblig. WC Bonds	2,465,000	-	600,000	1,865,000
2012 Copier Capital Lease	42,650	-	20,875	21,775
2014 Bus Capital Lease	<u>97,017</u>	<u>-</u>	<u>16,293</u>	<u>80,724</u>
 Total	 <u>\$10,324,667</u>	 <u>\$ -</u>	 <u>\$1,962,168</u>	 <u>\$8,362,499</u>
 Premium on bonds	 <u>\$188,390</u>	 <u>\$ -</u>	 <u>\$ 44,815</u>	 <u>\$ 143,575</u>
			<u>Due Within One Year</u>	
2012 G.O. Rfdg. Debt Cert.		\$ 380,000		
2012 Gen. Oblig. WC Bonds		345,000		
2014 G.O. Bonds		600,000		
2016 Gen. Oblig. WC Bonds		605,000		
2012 Copier Capital Lease		17,197		
2014 Bus Capital Lease		21,775		
Premium on bonds		<u>34,085</u>		
 Total due in one year		 <u>\$ 2,003,057</u>		

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. There are no funds remaining in escrow at year end relating to the refunding. 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, 2017, \$130,547 remains as a deferred charge on the bond refunding.

# Highland Community College District #519

## Notes to Financial Statements

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### Note 8 Changes in General Long-term Debt (Continued)

Debt Certificates, Series 2014 were issued in August 2014 and were paid off by the Series 2014 General Obligation Bonds were issued in November, 2014. \$3,225,000 bonds were issued for the purpose of renovating, improving, and equipping the District's buildings. 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%, commencing July 1, 2015 and maturing on January 1, 2021.

Series 2016 General Obligation Bonds were issued in February, 2016. \$2,465,000 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 3.00%, commencing January 1, 2016 and maturing on January 1, 2020.

At June 30, 2017, the annual cash flow requirements of bond principal (including debt certificates) and interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$1,930,000	\$175,733	\$2,105,733
2019	2,010,000	125,132	2,135,132
2020	2,085,000	77,932	2,162,932
2021	980,000	44,182	1,024,182
2022	410,000	29,826	439,826
2023-2024	<u>845,000</u>	<u>31,226</u>	<u>876,226</u>
	<u>\$8,260,000</u>	<u>\$484,031</u>	<u>\$8,744,031</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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 38,972	\$ 2,456	\$ 41,428
2019	<u>63,527</u>	<u>1,044</u>	<u>64,571</u>
	<u>\$102,499</u>	<u>\$ 3,500</u>	<u>\$105,999</u>

# Highland Community College District #519

## Notes to Financial Statements

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### Note 8 Changes in General Long-term Debt (Continued)

A computation of the legal debt margin of the District as of June 30, 2017, is as follows:

Assessed valuation – 2016 tax levy	\$1,687,148,342
Debt limit – 2.875% of assessed valuation	48,505,515
Less applicable debt	<u>(8,362,499)</u>
Legal debt margin	<u>\$ 40,143,016</u>

### Note 9 Leases

#### HCC-YMCA Building

In an agreement made effective July 21, 1977, the Board of Trustees of the District 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 the District 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 2017 totals \$234,980. As of June 30, 2017, the YMCA had paid \$203,537. The YMCA has a balance due of \$31,443 included in accounts receivable at year end.

As part of the lease with the District, 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, 2017, the following amounts were available for the District's share of these expenditures:

Road and lot	\$ 74,197
Building maintenance	54,222
Accumulated interest	<u>48,213</u>
Total	<u>\$176,632</u>

In an agreement dated April 2, 2014, the District agreed to lease to the YMCA the Child Care and Training Center. The YMCA shall pay the District lease payments of between \$800 - \$860 per month, payable on the first day of each month. The YMCA also reimburses the District 90% of the electricity costs of the child care center. The lease will terminate on June 30, 2019 with the option of extending.

# Highland Community College District #519

## Notes to Financial Statements

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### **Note 10 Short-Term Debt**

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

### **Note 11 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, 2017, \$1,582,335 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 \$14,144 as of June 30, 2017.

### **Note 12 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. Potentially, the District could be assessed additional premiums for its share of any losses of the insurance pool. Historically, the District has not been assessed any additional premiums.

### **Note 13 Commitments and Contingencies**

The District has received a number of Federal and State grants for specific purposes which are subject to review and audit by grantor agencies. Such audits may result in requests for reimbursement to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, District management believes that such disallowances, if any, will not be significant.

As of June 30, 2017 the District was not involved in any significant construction commitments.

### **Note 14 Pending Accounting Pronouncements**

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" The District is required to implement this standard for the fiscal year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* amends the required presentation to include the covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The requirements of this Statement are effective for reporting period in which the measurement date of the pension liability is after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern recognition of a liability and a corresponding deferred outflow of resources for



# Highland Community College District #519

## Notes to Financial Statements

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### **Note 14 Pending Accounting Pronouncements (Continued)**

asset retirement obligations, and requires the current value of a government's asset retirement obligations to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this Statement are effective for reporting period in which the measurement date of the pension liability is after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017*, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other post-employment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

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

### **Note 15 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, 2017, \$6,956,887 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.

# Highland Community College District #519

## Notes to Financial Statements

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### **Note 16 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/Net Assets and the Statement of Revenues, Expenses, and Changes in Net Position/Net Assets. 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.

**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:

### **Summary of Significant Accounting Policies**

**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).

# Highland Community College District #519

## Notes to Financial Statements

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### Note 16 Component Unit (Continued)

#### Summary of Significant Accounting Policies (Continued)

**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.

**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

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### Note 16 Component Unit (Continued)

#### Summary of Significant Accounting Policies (Continued)

The endowment net asset composition by type of fund at June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$5,884,751	\$4,747,110	\$ 10,631,861
Board-designated endowment funds	<u>6,956,887</u>	<u>-</u>	<u>-</u>	<u>6,956,887</u>
	<u>\$6,956,887</u>	<u>\$5,884,751</u>	<u>\$4,747,110</u>	<u>\$17,588,748</u>

Changes in endowment net assets as of June 30, 2017 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	\$6,384,598	\$5,643,303	\$4,382,687	\$16,410,588
Contributions	-	651,696	1,275	652,971
Interest and dividend income	106,076	355,007	-	461,083
Net unrealized gain(loss) on investments	761,170	286,896	363,148	1,411,214
Amounts appropriated for Expenditure	(294,957)	-	-	(294,957)
Amounts released from restriction	<u>-</u>	<u>(1,052,151)</u>	<u>-</u>	<u>(1,052,151)</u>
	<u>\$6,956,887</u>	<u>\$5,884,751</u>	<u>\$4,747,110</u>	<u>\$17,588,748</u>

#### Investments

Investments consist of the following as of June 30, 2017:

Money market funds	\$ 268,427
Certificates of deposits	321,617
Corporate and other obligations	796,263
Common stock and equity funds	2,117,742
Mutual funds	15,366,274
ETF	339,264
REIT	485,246
Property and other	<u>685,000</u>
Total investments	<u>\$20,379,833</u>

# Highland Community College District #519

## Notes to Financial Statements

### Note 16 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, 2017 are as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Inactive Markets for Identical Assets (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$ 268,427	\$ 268,427	\$ -	\$ -
Certificate of deposits	321,617	321,617	-	-
Corporate and other obligations	796,263	796,263	-	-
Common stock and equity funds	2,117,742	2,117,742	-	-
Mutual funds	15,366,274	8,409,388	6,956,886	-
ETF	339,264	339,264	-	-
REIT	485,246	485,246	-	-
Property and other	<u>685,000</u>	<u>-</u>	<u>-</u>	<u>685,000</u>
<b>Total investments</b>	<b><u>\$20,379,833</u></b>	<b><u>\$12,737,947</u></b>	<b><u>\$6,956,886</u></b>	<b><u>\$685,000</u></b>

Reconciliation of assets measured using Level 3 inputs as of June 30, 2017:

Balance, beginning of year	\$685,000
Gains (Losses)	-
Purchases	-
Distributions and fees	-
<b>Balance, end of year</b>	<b><u>\$685,000</u></b>

#### Property and Equipment

A summary of equipment is as follows:

	<u>Cost</u> <u>6/30/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Cost</u> <u>6/30/2017</u>
Equipment	\$ 71,178	\$ -	\$ -	\$71,178
Less accumulated Depreciation	<u>(53,291)</u>	<u>(3,815)</u>	<u>-</u>	<u>(57,106)</u>
<b>Total, net of accumulated Depreciation</b>	<b><u>\$ 17,887</u></b>	<b><u>\$ (3,815)</u></b>	<b><u>\$ -</u></b>	<b><u>\$14,072</u></b>

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

# Highland Community College District #519

## Notes to Financial Statements

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### **Note 16 Component Unit (Continued)**

#### **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, 2013 and prior.

#### **Accounting Standards Update**

On August 18, 2016, the FASB issued ASU 2016-14 (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("Update"). The Update reduces the number of net asset classes from three to two, those with donor restrictions and those without, requires all nonprofits to report expenses by nature and function and improves information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments in this Update is permitted. The Foundation has not elected to early implement the amendments.

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## **Required Supplementary Information**



# Highland Community College District #519

## Schedule of Share of Net Pension Liability Last 10 Fiscal Years

(Schedule to be Built Prospectively from 2014)

	2016	2015	2014
Proportion percentage of the collective net pension liability	0%	0%	0%
Proportion amount of the collective net pension liability	\$0	\$0	\$0
Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with the District	\$ 60,412,403	\$54,001,485	\$ 51,944,951
College DB covered-employee payroll	\$ 8,430,045	\$ 8,428,877	\$ 8,752,996
Proportion of collective net pension liability associated with the District as a percentage of covered-employee payroll	716.63%	640.67%	593.45%
SURS plan net position as a percentage of total pension liability	39.57%	42.37%	44.39%

Note: The System implemented GASB No. 68 in fiscal year 2015. The information is presented for as many years as available. The schedule is intended to show information for 10 years.

# Highland Community College District #519

## Schedule of Contributions Last 10 Fiscal Years

(Schedule to be Built Prospectively from 2014)

	2017	2016	2015	2014
Federal, trust, grant and other contribution	\$ 34,468	\$ 31,213	\$ 42,942	\$ 50,030
Contribution in relation to required contribution	34,468	31,213	42,942	50,030
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
College covered-employee payroll	\$ 9,619,710	\$ 9,879,902	\$ 9,821,228	\$10,154,522
Contribution as a percentage of covered-employee payroll	0.36%	0.32%	0.44%	0.49%
Additional information:				
On-behalf payments for community college health insurance program	\$ 43,788	\$ 44,796	\$ 43,715	\$ 44,931

Note: The System implemented GASB No. 68 in fiscal year 2015. The information is presented for as many years as available. The schedule is intended to show information for 10 years.

# Highland Community College District #519

## Notes to Required Supplementary Information

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### **SURS Pension Information**

#### *Covered Payroll*

The definition of covered payroll has been redefined in GASB Statement Number 82, Pension Issues—An Amendment of GASB Statements Number 67, Number 68 and Number 73. Below are the definitions from the glossaries of each statement.

GASB 67 Covered-Employee Payroll. The payroll of employees that are provided with pensions through the pension plan.

GASB 82 Covered Payroll. All elements included in compensation paid to active employees on which contributions to a pension plan are based.

**Changes of benefit terms.** There were no benefit changes recognized in the Total Pension Liability as of June 30, 2016.

**Changes of assumptions.** In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015.

- Mortality rates. Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants. RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.
- Salary increase. Change assumption to service-based rates, ranging from 3.75 percent to 15.00 percent based on years of service, with underlying wage inflation of 3.75 percent.
- Normal retirement rates. Change to retirement rates at ages younger than 60, age 66, and ages 70-79 to reflect observed experiences.
- Early retirement rates. Change to a slight increase to the rates at ages 55 and 56.
- Turnover rates. Change to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service than the currently assumed rates.
- Disability rates. Decrease rates and have separate rates for males and females to reflect observed experience.
- Dependent assumption. Main the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouses.

**Other Financial Information**

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# Highland Community College District #519

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

June 30, 2017

All Fund Types - Change in Fund Balances	\$	348,287
Reduction in student tuition and fees		(1,929,813)
Reduction in financial aid expense		1,929,813
Net effect		-
Prior year recognition of summer revenue deferred		(181,220)
Prior year recognition of summer salaries deferred		48,400
Recognition of summer revenue deferred		177,844
Recognition of summer salaries deferred		(41,258)
Net effect		3,766
Compensated absences decrease (increase)		(18,119)
SURS pension contribution (decrease) increase		3,255
Other post employment benefits decrease (increase)		-
Expended for capital assets		1,191,963
Depreciation		(1,425,105)
Net effect		(233,142)
Long-term debt issued (governmental funds)		-
Long-term debt retired (governmental funds)		2,006,983
Net effect		2,006,983
Change in net position	\$	2,111,030
Net position, beginning of year	\$	25,727,552
Net position, end of year		27,838,582
Change in net position	\$	2,111,030

## Reconciliation of Combined Balance Sheet to the Statement of Net Position

Fund Balances - All Fund Types and Account Groups	\$	54,194,128
Allowance for accumulated depreciation		(17,759,183)
Recognition of summer revenue deferred		177,844
Recognition of summer salaries deferred		(41,258)
Deferral of SURS pension contribution		34,468
Amount to be provided for compensated absences		(125,932)
Amount to be provided for other post employment benefits		(135,411)
Amount available in debt service fund		(964,572)
Amount to be provided for retirement of general long-term debt		(7,541,502)
Net Position of Statement of Net Position	\$	27,838,582

# Highland Community College District #519

Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2017

<b>Assets</b>	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Cash and cash equivalents	\$ 536,788	\$ 1,807,764	\$ 378,486	\$ 189,698
Investments	1,419,504	8,495,968	13,658	1,482,350
Receivables:				
Taxes	4,640,642	759,060	1,281,027	610,314
Other, net of \$1,496,985 allowance for doubtful accounts	3,541,777	365,524	-	262
Due from other funds	-	947,633	-	-
Inventories	-	-	-	-
Deferred expense	78,684	16,641	130,547	-
Fixed assets	-	-	-	-
Other debits:				
Amount to be provided for compensated absences	-	-	-	-
Amount available in the debt service fund	-	-	-	-
Amount to be provided for retire- ment of general long-term debt	-	-	-	-
<b>Total assets</b>	<b>\$ 10,217,395</b>	<b>\$ 12,392,590</b>	<b>\$ 1,803,718</b>	<b>\$ 2,282,624</b>
<b>Liability, Deferred Inflows and Fund Equity</b>				
Liabilities:				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Due to other funds	649,176	-	-	-
Accounts payable	55,763	8,935	43	-
Accrued expenses	503,641	3,476	-	-
Agency deposits	-	-	-	-
Unearned tuition revenue	2,134,323	244,350	-	-
Accrued compensated absences	-	-	-	-
Debt certificates payable	-	-	-	-
Capital lease payable	-	-	-	-
Premium on bonds	-	-	-	-
Bonds payable	-	-	-	-
<b>Total liabilities</b>	<b>3,342,903</b>	<b>256,761</b>	<b>43</b>	<b>-</b>
Deferred Inflows of Resources:				
Property taxes	2,994,689	497,203	839,103	399,770
Fund equity:				
Investments in general fixed assets	-	-	-	-
Unrestricted net position	-	-	-	-
Fund balances (deficit):				
Reserved for restricted purposes	-	901,263	-	-
Reserved for bond requirements	-	-	964,572	-
Reserved for working cash	-	10,338,285	-	-
Unreserved - designated	3,879,803	399,078	-	1,882,854
<b>Total fund equity</b>	<b>3,879,803</b>	<b>11,638,626</b>	<b>964,572</b>	<b>1,882,854</b>
<b>Total liabilities, deferred inflows and fund equity</b>	<b>\$ 10,217,395</b>	<b>\$ 12,392,590</b>	<b>\$ 1,803,718</b>	<b>\$ 2,282,624</b>

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	Long-Term Debt	
Enterprise	Agency			
\$ -	\$ 417,948	\$ -	\$ -	\$ 3,330,684
-	-	-	-	11,411,480
-	-	-	-	7,291,043
87,525	-	-	-	3,995,088
-	-	-	-	947,633
386,581	-	-	-	386,581
850	-	-	-	226,722
-	-	35,825,579	-	35,825,579
-	-	-	125,932	125,932
-	-	-	964,572	964,572
-	-	-	7,541,502	7,541,502
<b>\$ 474,956</b>	<b>\$ 417,948</b>	<b>\$ 35,825,579</b>	<b>\$ 8,632,006</b>	<b>\$ 72,046,816</b>
\$ -	\$ -	\$ -	\$ -	\$ -
298,457	-	-	-	947,633
23,454	-	-	-	88,195
2,047	-	-	-	509,164
-	417,948	-	-	417,948
148,304	-	-	-	2,526,977
-	-	-	125,932	125,932
-	-	-	2,825,000	2,825,000
-	-	-	102,499	102,499
-	-	-	143,575	143,575
-	-	-	5,435,000	5,435,000
472,262	417,948	-	8,632,006	13,121,923
-	-	-	-	4,730,765
-	-	35,825,579	-	35,825,579
2,694	-	-	-	2,694
-	-	-	-	901,263
-	-	-	-	964,572
-	-	-	-	10,338,285
-	-	-	-	6,161,735
2,694	-	35,825,579	-	54,194,128
<b>\$ 474,956</b>	<b>\$ 417,948</b>	<b>\$ 35,825,579</b>	<b>\$ 8,632,006</b>	<b>\$ 72,046,816</b>



# 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, 2017

<b>Revenues</b>	Governmental	
	General	Special Revenue
Local governmental sources	\$ 6,379,232	\$ 995,188
State governmental sources	1,864,399	385,940
Federal governmental sources	32,900	4,458,180
Student tuition and fees	5,286,021	578,083
Other sources	1,061,337	470,515
On behalf payments	5,152,841	817,757
<b>Total revenue</b>	<b>19,776,730</b>	<b>7,705,663</b>
<b>Expenditures</b>		
Instruction	6,913,645	429,154
Academic support	769,692	-
Student services	1,049,881	4,412,553
Public services	417,720	121,625
Operations and maintenance of plant	1,387,332	504,286
General administration	1,219,583	293,471
Independent operations	-	-
Institutional support	1,130,203	1,123,030
Scholarships, student grants, and waivers	430,317	-
Capital projects	-	-
Debt service	435,431	-
On behalf payments	5,152,841	817,757
<b>Total expenditures</b>	<b>18,906,645</b>	<b>7,701,876</b>
Excess (deficiency) of revenues over expenditures	870,085	3,787
<b>Other financing sources (uses)</b>		
Bond proceeds	-	-
Premiums on debt issued	-	-
Payment to escrow agent	-	-
Transfers from (to) other funds	91,274	(76,274)
<b>Total other financing sources (uses)</b>	<b>91,274</b>	<b>(76,274)</b>
Net change in fund balance	961,359	(72,487)
Fund balance, beginning of year	2,918,444	11,711,113
<b>Fund balance, end of year</b>	<b>\$ 3,879,803</b>	<b>\$ 11,638,626</b>

Fund Types		Total
Debt Service	Capital Projects	(Memorandum Only)
\$ 1,692,448	\$ 800,014	\$ 9,866,882
-	-	2,250,339
-	-	4,491,080
-	-	5,864,104
-	27,781	1,559,633
-	-	5,970,598
1,692,448	827,795	30,002,636
-	-	7,342,799
-	-	769,692
-	-	5,462,434
-	-	539,345
-	-	1,891,618
-	-	1,513,054
-	-	-
-	-	2,253,233
-	-	430,317
-	1,177,491	1,177,491
1,726,046	-	2,161,477
-	-	5,970,598
1,726,046	1,177,491	29,512,058
(33,598)	(349,696)	490,578
-	-	-
-	-	-
-	-	-
-	(50,000)	(35,000)
-	(50,000)	(35,000)
(33,598)	(399,696)	455,578
998,170	2,282,550	17,910,277
\$ 964,572	\$ 1,882,854	\$ 18,365,855

# 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, 2017

	General Fund Types		
	Budget	Actual	Over (Under) Budget
<b>Revenues</b>			
Local governmental sources	\$ 6,348,301	\$ 6,379,232	\$ 30,931
State governmental sources	738,961	1,864,399	1,125,438
Federal governmental sources	35,541	32,900	(2,641)
Student tuition and fees	5,450,750	5,286,021	(164,729)
Other sources	1,049,428	1,061,337	11,909
On behalf payments	-	5,152,841	5,152,841
<b>Total revenues</b>	<b>13,622,981</b>	<b>19,776,730</b>	<b>6,153,749</b>
<b>Expenditures</b>			
Instruction	7,063,334	6,913,645	(149,689)
Academic support	827,467	769,692	(57,775)
Student services	1,215,307	1,049,881	(165,426)
Public services	469,274	417,720	(51,554)
Operations and maintenance of plant	1,473,223	1,387,332	(85,891)
General administration	1,296,671	1,219,583	(77,088)
Independent operations	-	-	-
Institutional support	1,203,977	1,130,203	(73,774)
Scholarships, student grants, and waivers	395,000	430,317	35,317
Capital projects	-	-	-
Debt service	-	435,431	435,431
On behalf payments	-	5,152,841	5,152,841
<b>Total expenditures</b>	<b>13,944,253</b>	<b>18,906,645</b>	<b>4,962,392</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(321,272)</b>	<b>870,085</b>	<b>1,191,357</b>
<b>Other financing sources (uses)</b>			
Bond proceeds	-	-	-
Premiums on debt issued	-	-	-
Payment to escrow agent	-	-	-
Transfer from (to) other funds	484,827	91,274	(393,553)
<b>Total other financing sources (uses)</b>	<b>484,827</b>	<b>91,274</b>	<b>(393,553)</b>
<b>Net change in fund balance</b>	<b>\$ 163,555</b>	<b>961,359</b>	<b>\$ 797,804</b>
<b>Fund balance, beginning of year</b>		<b>2,918,444</b>	
<b>Fund balance, end of year</b>		<b>\$ 3,879,803</b>	

Special Revenue Fund Types			Debt Service Fund Types		
Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
\$ 995,000	\$ 995,188	\$ 188	\$ 1,696,556	\$ 1,692,448	\$ (4,108)
402,873	385,940	(16,933)	-	-	-
4,829,257	4,458,180	(371,077)	-	-	-
703,852	578,083	(125,769)	-	-	-
347,489	470,515	123,026	-	-	-
-	817,757	817,757	-	-	-
<u>7,278,471</u>	<u>7,705,663</u>	<u>427,192</u>	<u>1,696,556</u>	<u>1,692,448</u>	<u>(4,108)</u>
372,325	429,154	56,829	-	-	-
-	-	-	-	-	-
4,787,824	4,412,553	(375,271)	-	-	-
131,332	121,625	(9,707)	-	-	-
523,138	504,286	(18,852)	-	-	-
306,689	293,471	(13,218)	-	-	-
-	-	-	-	-	-
1,291,086	1,123,030	(168,056)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,705,013	1,726,046	21,033
-	817,757	817,757	-	-	-
<u>7,412,394</u>	<u>7,701,876</u>	<u>289,482</u>	<u>1,705,013</u>	<u>1,726,046</u>	<u>21,033</u>
(133,923)	3,787	137,710	(8,457)	(33,598)	(25,141)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(76,274)	(76,274)	-	-	-
-	(76,274)	(76,274)	-	-	-
<u>\$ (133,923)</u>	<u>(72,487)</u>	<u>\$ 61,436</u>	<u>\$ (8,457)</u>	<u>(33,598)</u>	<u>\$ (25,141)</u>
	11,711,113			998,170	
	<u>\$ 11,638,626</u>			<u>\$ 964,572</u>	

# 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, 2017

	Capital Project Fund Types		
	Budget	Actual	Over (Under) Budget
<b>Revenues</b>			
Local governmental sources	\$ 800,000	\$ 800,014	\$ 14
State governmental sources	-	-	-
Federal governmental sources	-	-	-
Student tuition and fees	-	-	-
Other sources	-	27,781	27,781
On behalf payments	-	-	-
<b>Total revenues</b>	<b>800,000</b>	<b>827,795</b>	<b>27,795</b>
<b>Expenditures</b>			
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	2,692,190	1,177,491	(1,514,699)
Debt service	-	-	-
On behalf payments	-	-	-
<b>Total expenditures</b>	<b>2,692,190</b>	<b>1,177,491</b>	<b>(1,514,699)</b>
Excess (deficiency) of revenues over expenditures	(1,892,190)	(349,696)	1,542,494
<b>Other financing sources (uses)</b>			
Bond proceeds	-	-	-
Capital lease proceeds	-	-	-
Transfer from (to) other funds	(118,650)	(50,000)	68,650
<b>Total other financing sources (uses)</b>	<b>(118,650)</b>	<b>(50,000)</b>	<b>68,650</b>
<b>Net change in fund balance</b>	<b>\$ (2,010,840)</b>	<b>(399,696)</b>	<b>\$ 1,611,144</b>
Fund balance, beginning of year		2,282,550	
Fund balance, end of year		\$ 1,882,854	

# Highland Community College District #519

## Combined Statement of Revenues, Expenditures, and Changes in Net Position - Budget and Actual All Proprietary Fund Types

For the year ended June 30, 2017

	Proprietary Fund Type	
	Budget	Actual
<b>Operating revenues</b>		
Bookstore sales	\$ 968,000	\$ 861,005
Other fees	245,000	332,467
Athletics	43,430	26,757
Other sources	134,850	102,794
<b>Total operating revenues</b>	<b>1,391,280</b>	<b>1,323,023</b>
<b>Operating expenses</b>		
Salaries	294,033	246,659
Employee benefits	34,325	34,207
Contractual services	75,260	74,837
General materials and supplies	870,042	871,893
Conference and meeting expense	179,009	124,348
Utilities	600	536
Fixed charges	1,766	3,332
Capital outlay	700	4,951
Other	15,356	104,551
<b>Total operating expenses</b>	<b>1,471,091</b>	<b>1,465,314</b>
Operating income (loss)	(79,811)	(142,291)
<b>Nonoperating revenue (expenses)</b>		
Transfer from (to) other funds	2,932	35,000
<b>Total nonoperating revenue (expenses)</b>	<b>2,932</b>	<b>35,000</b>
<b>Net income (loss)</b>	<b>\$ (76,879)</b>	<b>(107,291)</b>
Unrestricted net position beginning of year		109,985
Unrestricted net position end of year		\$ 2,694

# Highland Community College District #519

## Combined Statement of Cash Flows Proprietary Fund Type

For the year ended June 30, 2017

	Proprietary Fund Type
	Enterprise Fund Type
<b>Cash Flows from Operating Activities</b>	
Operating income (loss)	\$ (142,291)
Adjustments to reconcile net income to net cash from operating activities:	
(Increase) decrease in current assets:	
Inventory	34,640
Accounts receivable	399
Deferred expense	(795)
Due from other funds	-
Increase (decrease) in current liabilities:	
Unearned tuition revenue	24,323
Due to other funds	47,158
Accounts payable	1,542
Accrued expenses	24
Net cash provided by (used in) operations	(35,000)
<b>Cash Flows from Investing Activities</b>	
Purchase of investments	-
Maturity of investments	-
Net cash provided by (used for) investing activities	-
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfer from (to) other funds	35,000
Net cash provided by (used for) noncapital financing activities	35,000
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, 2017

	Educational Fund	Operations and Mainten- ance Fund	Total General Funds
<b>Assets</b>			
Cash	\$ -	\$ 536,788	\$ 536,788
Investments	1,419,504	-	1,419,504
Receivables:			
Taxes	3,631,431	1,009,211	4,640,642
Other, net of \$1,496,985 allow- ance for doubtful accounts	3,403,878	137,899	3,541,777
Deferred expense	78,684	-	78,684
<b>Total assets</b>	<b>\$ 8,533,497</b>	<b>\$ 1,683,898</b>	<b>\$ 10,217,395</b>
<b>Liabilities, Deferred Inflows and Fund Balance</b>			
Liabilities:			
Cash overdraft	\$ -	\$ -	\$ -
Due to other funds	649,176	-	649,176
Accounts payable	36,918	18,845	55,763
Accrued expenses	477,459	26,182	503,641
Unearned tuition revenue	2,134,323	-	2,134,323
<b>Total liabilities</b>	<b>3,297,876</b>	<b>45,027</b>	<b>3,342,903</b>
Deferred Inflows of Resources:			
Property tax revenue	2,362,008	632,681	2,994,689
Fund balance - unreserved - designated	2,873,613	1,006,190	3,879,803
<b>Total liabilities, deferred inflows, and fund balance</b>	<b>\$ 8,533,497</b>	<b>\$ 1,683,898</b>	<b>\$ 10,217,395</b>



# 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, 2017

	Educational Fund	Operations and Mainten- ance Fund	Total General Funds
<b>Revenues</b>			
Local governmental sources	\$ 4,849,279	\$ 1,529,953	\$ 6,379,232
State governmental sources	1,688,334	176,065	1,864,399
Federal governmental sources	32,900	-	32,900
Student tuition and fees	5,286,021	-	5,286,021
Other sources	980,262	81,075	1,061,337
On behalf payments	4,809,547	343,294	5,152,841
<b>Total revenues</b>	<b>17,646,343</b>	<b>2,130,387</b>	<b>19,776,730</b>
<b>Expenditures</b>			
Instruction	6,913,645	-	6,913,645
Academic support	769,692	-	769,692
Student services	1,049,881	-	1,049,881
Public services	417,720	-	417,720
Operations and maintenance of plant	(9,746)	1,397,078	1,387,332
General administration	1,219,583	-	1,219,583
Institutional support	1,130,203	-	1,130,203
Scholarships, student grants, and waivers	430,317	-	430,317
Debt service	435,431	-	435,431
On behalf payments	4,809,547	343,294	5,152,841
<b>Total expenditures</b>	<b>17,166,273</b>	<b>1,740,372</b>	<b>18,906,645</b>
Excess (deficiency) of revenue over expenditures	480,070	390,015	870,085
<b>Other financing sources (uses)</b>			
Capital lease proceeds	-	-	-
Transfer from (to) other funds	91,274	-	91,274
<b>Net change in fund balance</b>	<b>571,344</b>	<b>390,015</b>	<b>961,359</b>
Fund balance, beginning of year	2,302,269	616,175	2,918,444
<b>Fund balance, end of year</b>	<b>\$ 2,873,613</b>	<b>\$ 1,006,190</b>	<b>\$ 3,879,803</b>

# Highland Community College District #519

## Combining Balance Sheet Governmental Fund Types - Special Revenue Funds

June 30, 2017

	Restricted Purposes Fund	Audit Fund	Liability, Protection, and Settlement Funds	Working Cash Funds	Total Special Revenue Funds
<b>Assets</b>					
Cash	\$ 47,430	\$ 1,452	\$ 136,461	\$ 1,622,421	\$ 1,807,764
Investments	741,035	-	-	7,754,933	8,495,968
Receivables:					
Property tax	-	33,613	725,447	-	759,060
Other	352,226	-	-	13,298	365,524
Prepaid expense	16,641	-	-	-	16,641
Due from other funds	-	-	-	947,633	947,633
<b>Total assets</b>	<b>\$ 1,157,332</b>	<b>\$ 35,065</b>	<b>\$ 861,908</b>	<b>\$ 10,338,285</b>	<b>\$ 12,392,590</b>
<b>Liabilities, Deferred Inflows, and Fund Balance</b>					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	8,243	-	692	-	8,935
Unearned tuition revenue	244,350	-	-	-	244,350
Accrued expense	3,476	-	-	-	3,476
<b>Total liabilities</b>	<b>256,069</b>	<b>-</b>	<b>692</b>	<b>-</b>	<b>256,761</b>
Deferred outflows:					
Property taxes	-	22,017	475,186	-	497,203
Fund balance (deficit):					
Reserved for restricted purposes	901,263	-	-	10,338,285	11,239,548
Unreserved - designated	-	13,048	386,030	-	399,078
<b>Total fund balance</b>	<b>901,263</b>	<b>13,048</b>	<b>386,030</b>	<b>10,338,285</b>	<b>11,638,626</b>
<b>Total liabilities, deferred inflows, and fund balance</b>	<b>\$ 1,157,332</b>	<b>\$ 35,065</b>	<b>\$ 861,908</b>	<b>\$ 10,338,285</b>	<b>\$ 12,392,590</b>

# 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, 2017

	Restricted Purposes Fund	Audit Fund	Liability, Protection, and Settlement Fund	Working Cash Fund	Total Special Revenue Funds
<b>Revenues</b>					
Local government sources	\$ -	\$ 44,033	\$ 951,155	\$ -	\$ 995,188
State governmental sources	385,940	-	-	-	385,940
Federal governmental sources	4,458,180	-	-	-	4,458,180
Student tuition	578,083	-	-	-	578,083
Other sources	422,695	-	-	47,820	470,515
On behalf payments	817,757	-	-	-	817,757
<b>Total revenues</b>	<b>6,662,655</b>	<b>44,033</b>	<b>951,155</b>	<b>47,820</b>	<b>7,705,663</b>
<b>Expenditures</b>					
Instruction	429,154	-	-	-	429,154
Academic support	-	-	-	-	-
Student services	4,412,553	-	-	-	4,412,553
Public services	121,625	-	-	-	121,625
General administration	293,471	-	-	-	293,471
Operations and maintenance	-	-	504,286	-	504,286
Independent operations	-	-	-	-	-
Institutional support	512,996	45,000	556,379	8,655	1,123,030
Debt service	-	-	-	-	-
On behalf payments	817,757	-	-	-	817,757
<b>Total expenditures</b>	<b>6,587,556</b>	<b>45,000</b>	<b>1,060,665</b>	<b>8,655</b>	<b>7,701,876</b>
Excess (deficiency) of revenues over expenditures	75,099	(967)	(109,510)	39,165	3,787
<b>Other financing sources (uses) of funds</b>					
Bond proceeds	-	-	-	-	-
Premium on debt issued	-	-	-	-	-
Transfer from (to) other funds	(37,109)	-	-	(39,165)	(76,274)
<b>Total other financing sources</b>	<b>(37,109)</b>	<b>-</b>	<b>-</b>	<b>(39,165)</b>	<b>(76,274)</b>
Net change in fund balance	37,990	(967)	(109,510)	-	(72,487)
Fund balance, beginning of year	863,273	14,015	495,540	10,338,285	11,711,113
<b>Fund balance, end of year</b>	<b>\$ 901,263</b>	<b>\$ 13,048</b>	<b>\$ 386,030</b>	<b>\$ 10,338,285</b>	<b>\$ 11,638,626</b>

# Highland Community College District #519

## Combining Balance Sheet Fiduciary Funds

June 30, 2017

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	Agency Funds
<b>Assets</b>	
Cash on hand and in bank	\$ 417,948
Investments	-
Receivables - other	-
Due from other funds	-
<hr/>	
Total assets	\$ 417,948
<hr/> <hr/>	
<b>Liabilities and Fund Balance</b>	
Liabilities:	
Accounts payable	\$ -
Agency deposits	417,948
<hr/>	
Total liabilities	417,948
<hr/>	
Fund balances:	
Undesignated	-
<hr/>	
Total fund balances	-
<hr/>	
Total liabilities and fund balances	\$ 417,948
<hr/> <hr/>	

# Highland Community College District #519

## Educational Fund Schedule of Revenues Compared to Budget

For the year ended June 30, 2017

	Budget	Actual	Over (Under) Budget
<b>Local Governmental Sources</b>			
Current taxes	\$ 2,347,571	\$ 2,362,007	\$ 14,436
Corporate personal property replacement tax	157,189	161,020	3,831
Back taxes	2,324,328	2,326,252	1,924
Total local government sources	4,829,088	4,849,279	20,191
<b>State Governmental Sources</b>			
ICCB base operating grants	557,618	1,081,540	523,922
ICCB equalization grants	28,355	361,790	333,435
ICCB other	3,500	-	(3,500)
ICCB career and technical education	58,713	245,004	186,291
Total state government sources	648,186	1,688,334	1,040,148
<b>Federal Governmental Sources</b>			
Federal financial aid	5,944	-	(5,944)
Indirect costs	29,597	32,900	3,303
DCEO	-	-	-
Total federal governmental sources	35,541	32,900	(2,641)
<b>Student Tuition and Fees</b>			
Tuition	4,799,625	4,631,336	(168,289)
Fees	651,125	654,685	3,560
Total student tuition and fees	5,450,750	5,286,021	(164,729)
<b>Other Sources</b>			
Facilities rental	28,000	31,535	3,535
Interest on investments	5,000	12,930	7,930
Other revenue	951,344	935,797	(15,547)
Total other sources	984,344	980,262	(4,082)
Total revenues	\$ 11,947,909	\$ 12,836,796	\$ 888,887

# Highland Community College District #519

## Educational Fund Schedule of Expenditures Compared to Budget

For the year ended June 30, 2017

	Budget	Actual	Over (Under) Budget
<b>Instruction</b>			
Salaries	\$ 5,599,197	\$ 5,425,059	\$ (174,138)
Employee benefits	1,111,123	1,114,198	3,075
Contractual services	49,224	80,971	31,747
General materials and supplies	234,180	227,714	(6,466)
Conference and meetings expense	51,499	39,628	(11,871)
Fixed charges	14,530	12,600	(1,930)
Utilities	-	640	640
Capital outlay	600	10,646	10,046
Other	2,981	2,189	(792)
<b>Total instruction</b>	<b>7,063,334</b>	<b>6,913,645</b>	<b>(149,689)</b>
<b>Academic Support</b>			
Salaries	524,574	496,735	(27,839)
Employee benefits	177,571	176,628	(943)
Contractual services	22,615	2,559	(20,056)
General materials and supplies	95,628	88,928	(6,700)
Conference and meetings expense	7,079	4,764	(2,315)
Capital outlay	-	78	78
Other	-	-	-
<b>Total academic support</b>	<b>827,467</b>	<b>769,692</b>	<b>(57,775)</b>
<b>Student Services</b>			
Salaries	792,925	754,319	(38,606)
Employee benefits	276,688	238,315	(38,373)
Contractual services	21,910	16,484	(5,426)
General materials and supplies	18,361	14,207	(4,154)
Conference and meetings expense	27,123	13,257	(13,866)
Fixed charges	8,100	11,191	3,091
Utilities	-	-	-
Capital outlay	-	-	-
Other	70,200	2,108	(68,092)
<b>Total student services</b>	<b>1,215,307</b>	<b>1,049,881</b>	<b>(165,426)</b>
<b>Public Services</b>			
Salaries	174,865	168,558	(6,307)
Employee benefits	15,033	13,715	(1,318)
Contractual services	204,911	169,815	(35,096)
General materials and supplies	29,474	19,824	(9,650)
Conference and meeting expense	42,220	40,907	(1,313)

# Highland Community College District #519

Educational Fund (Continued)

Schedule of Expenditures Compared to Budget

For the year ended June 30, 2017

	Budget	Actual	Over (Under) Budget
<b>Public Services (Continued)</b>			
Fixed charges	2,771	3,391	620
Utilities	-	-	-
Capital outlay	-	175	175
Other	-	1,335	1,335
Total public services	469,274	417,720	(51,554)
<b>Operations and Maintenance of Plant</b>			
General materials and supplies	-	(9,746)	(9,746)
<b>General Administration</b>			
Salaries	711,276	689,346	(21,930)
Employee benefits	240,184	214,218	(25,966)
Contractual services	96,679	73,735	(22,944)
General materials and supplies	213,584	221,103	7,519
Conference and meeting expense	32,048	16,794	(15,254)
Fixed charges	-	-	-
Utilities	-	1,045	1,045
Capital outlay	-	289	289
Other	2,900	3,053	153
Total general administration	1,296,671	1,219,583	(77,088)
<b>Institutional Support</b>			
Salaries	403,938	389,699	(14,239)
Employee benefits	246,980	237,704	(9,276)
Contractual services	202,950	176,671	(26,279)
General materials and supplies	106,645	107,032	387
Conference and meeting expense	67,611	41,193	(26,418)
Fixed charges	23,053	21,158	(1,895)
Utilities	18,400	18,994	594
Capital outlay	-	324	324
Other	134,400	137,428	3,028
Total institutional support	1,203,977	1,130,203	(73,774)
<b>Debt Service</b>			
Principal and interest payments	435,431	435,431	-
<b>Other</b>			
Provision of contingency	-	-	-
<b>Scholarships, Student Grants, &amp; Waivers</b>			
Other	395,000	430,317	35,317
Total educational fund	\$ 12,906,461	\$ 12,356,726	\$ (549,735)
Other financing sources (uses) of funds:			
Capital lease proceeds	\$ -	\$ -	\$ -
Operating transfers in	484,827	127,274	(357,553)
Operating transfers out	-	(36,000)	(36,000)
Total other financing sources (uses) of funds	\$ 484,827	\$ 91,274	\$ (393,553)

# 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, 2017

	Budget	Actual	Over (Under) Budget
<b>Revenues</b>			
<b>Local Governmental Sources</b>			
Current taxes	\$ 628,814	\$ 632,681	\$ 3,867
Corporate personal property replacement tax	267,811	274,169	6,358
Back taxes	622,588	623,103	515
Total local government sources	1,519,213	1,529,953	10,740
<b>State Governmental Sources</b>			
State apportionment	90,775	176,065	85,290
Total state government sources	90,775	176,065	85,290
<b>Federal Governmental Sources</b>			
FEMA	-	-	-
Total federal sources	-	-	-
<b>Other Sources</b>			
Facilities rental	64,784	78,126	13,342
Other revenue	300	2,949	2,649
Total other sources	65,084	81,075	15,991
Total revenues	\$ 1,675,072	\$ 1,787,093	\$ 112,021
<b>Expenditures</b>			
<b>Operation and Maintenance of Plant</b>			
Salaries	\$ 582,994	\$ 564,880	\$ (18,114)
Employee benefits	229,854	221,055	(8,799)
Contractual services	143,084	95,208	(47,876)
General materials and supplies	160,635	151,319	(9,316)
Conference and meeting expense	500	240	(260)
Utilities	608,251	588,761	(19,490)
Other	(252,095)	(229,980)	22,115
Contingency	-	-	-
Capital outlay	-	5,595	5,595
Total expenditures	\$ 1,473,223	\$ 1,397,078	\$ (76,145)
<b>Other financing sources (uses) of funds</b>			
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, 2017

	Budget	Actual	Over (Under) Budget
<b>Revenues</b>			
<b>State Governmental Sources</b>			
Workforce Preparation Grant	\$ 112,163	\$ 112,163	\$ -
Student Success Grant	-	-	-
SBE Adult Education	273,927	256,993	(16,934)
SBE Vocational Education	-	-	-
Other	16,783	16,784	1
<b>Total state government sources</b>	<b>402,873</b>	<b>385,940</b>	<b>(16,933)</b>
<b>Federal Governmental Sources</b>			
Student Support Services Grant	298,112	287,732	(10,380)
College Work Study	83,945	83,945	-
Direct Federal Loan Program	1,350,000	1,183,064	(166,936)
Upward Bound Grant	-	-	-
Pell	3,005,000	2,811,239	(193,761)
SEOG	36,573	36,573	-
National Science/Other	-	-	-
Federal Career Tech	10,000	10,000	-
RSVP	45,627	45,627	-
IGEN/TAA Grant	-	-	-
<b>Total federal government sources</b>	<b>4,829,257</b>	<b>4,458,180</b>	<b>(371,077)</b>
<b>Student Tuition and Fees</b>			
Tuition	-	-	-
Fees	703,852	578,083	(125,769)
<b>Total student tuition and fees</b>	<b>703,852</b>	<b>578,083</b>	<b>(125,769)</b>
<b>Other Sources</b>			
Highland Community College Foundation	21,443	78,438	56,995
Investment income	19,677	24,656	4,979
In Kind	31,294	27,965	(3,329)
Other	275,075	291,636	16,561
<b>Total other sources</b>	<b>347,489</b>	<b>422,695</b>	<b>75,206</b>
<b>Total revenue</b>	<b>\$ 6,283,471</b>	<b>\$ 5,844,898</b>	<b>\$ (438,573)</b>

# Highland Community College District #519

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

For the year ended June 30, 2017

	Budget	Actual	Over (Under) Budget
<b>Expenditures</b>			
<b>Instruction</b>			
Salaries	\$ 227,652	\$ 219,231	\$ (8,421)
Employee benefits	46,994	60,286	13,292
Contractual services	9,300	10,271	971
General materials and supplies	48,905	59,674	10,769
Conference and meetings expense	11,732	10,553	(1,179)
Fixed charges	-	-	-
Utilities	-	-	-
Capital outlay	21,612	38,281	16,669
Other	6,130	30,858	24,728
<b>Total instruction</b>	<b>372,325</b>	<b>429,154</b>	<b>56,829</b>
<b>Academic Support</b>			
Salaries	-	-	-
Employee benefits	-	-	-
Contractual services	-	-	-
General materials and supplies	-	-	-
Capital outlay	-	-	-
Conference and meetings expense	-	-	-
Other	-	-	-
<b>Total academic support</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Student Services</b>			
Salaries	267,830	261,490	(6,340)
Employee benefits	65,920	65,872	(48)
Contractual services	1,816	588	(1,228)
General materials and supplies	17,359	15,950	(1,409)
Capital outlay	-	-	-
Conference meeting expense	9,645	8,114	(1,531)
Other	4,425,254	4,060,539	(364,715)
<b>Total student services</b>	<b>4,787,824</b>	<b>4,412,553</b>	<b>(375,271)</b>
<b>Public Services</b>			
Salaries	44,284	44,284	-
Employee benefits	6,129	6,129	-
Contractual services	14,580	12,000	(2,580)
General materials and supplies	25,729	18,781	(6,948)
Conference and meeting expense	9,340	9,228	(112)
Fixed charges	22,371	22,371	-
Utilities	4,152	4,152	-
Capital Outlay	-	1,152	1,152
Other	4,747	3,528	(1,219)
<b>Total public services</b>	<b>131,332</b>	<b>121,625</b>	<b>(9,707)</b>

# Highland Community College District #519

Special Revenue - Restricted Purpose Fund (Continued)

Schedule of Expenditures Compared to Budget

For the year ended June 30, 2017

	Budget	Actual	Over (Under) Budget
<b>Expenditures (Continued)</b>			
<b>Institutional Support</b>			
Salaries	73,658	73,664	6
General materials and supplies	1,020	1,684	664
Employee Benefits	17,140	17,274	134
Conference and meetings expense	1,480	803	(677)
Capital outlay	-	-	-
Contractual services	485,202	424,422	(60,780)
Utilities	-	-	-
Other	-	(4,851)	(4,851)
<b>Total institutional support</b>	<b>578,500</b>	<b>512,996</b>	<b>(65,504)</b>
<b>General Administration</b>			
Salaries	220,434	232,173	11,739
General materials and supplies	6,098	11,336	5,238
Employee benefits	31,723	20,242	(11,481)
Conference and meetings expense	24,410	10,860	(13,550)
Fixed charges	650	-	(650)
Capital outlay	21,174	14,589	(6,585)
Contractual services	500	2,471	1,971
Other	1,700	1,800	100
<b>Total general administration</b>	<b>306,689</b>	<b>293,471</b>	<b>(13,218)</b>
<b>Operations &amp; Maintenance</b>			
Salaries	-	-	-
General materials and supplies	-	-	-
Capital outlay	-	-	-
Conference and meetings expense	-	-	-
Debt principal retirement	-	-	-
Other	-	-	-
<b>Total operations &amp; maintenance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Independent Operations</b>			
Salaries	-	-	-
General materials and supplies	-	-	-
Capital outlay	-	-	-
Contractual services	-	-	-
Other	-	-	-
<b>Total independent operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>\$ 6,176,670</b>	<b>\$ 5,769,799</b>	<b>\$ (406,871)</b>
Other financing sources (uses) of funds:			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	(37,109)	(37,109)
<b>Total other financing sources (uses) of funds</b>	<b>\$ -</b>	<b>\$ (37,109)</b>	<b>\$ (37,109)</b>

# Highland Community College District #519

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

For the year ended June 30, 2017

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	Budget	Actual	Over (Under) Budget
<b>Revenues</b>			
<b>Local Governmental Sources</b>			
Current taxes	\$ 22,000	\$ 22,017	\$ 17
Back taxes	22,000	22,016	16
<hr/>			
Total revenues	\$ 44,000	\$ 44,033	\$ 33
<hr/>			
<b>Expenditures</b>			
<b>Institutional Support</b>			
Audit costs	\$ 45,000	\$ 45,000	\$ -
<hr/>			

# 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, 2017

	Budget	Actual	Over (Under) Budget
<b>Revenues</b>			
<b>Local Governmental Sources</b>			
Current taxes	\$ 475,500	\$ 475,186	\$ (314)
Back taxes	475,500	475,969	469
Other revenue	-	-	-
Total revenues	\$ 951,000	\$ 951,155	\$ 155
<b>Expenditures</b>			
<b>Institutional Support</b>			
Salaries	\$ -	\$ 1,803	\$ 1,803
Employee benefits	266,780	221,784	(44,996)
Contractual services	136,295	97,799	(38,496)
General materials and supplies	19,658	5,405	(14,253)
Conferences and meetings	15,700	4,587	(11,113)
Fixed charges	222,331	220,844	(1,487)
Utilities	6,822	4,157	(2,665)
Capital outlay	-	-	-
Provision for contingency	-	-	-
Total institutional support	667,586	556,379	(111,207)
<b>Operations and Maintenance</b>			
Salaries	273,215	262,506	(10,709)
Employee benefits	85,706	82,265	(3,441)
Contractual services	164,217	159,515	(4,702)
Total operations and maintenance	523,138	504,286	(18,852)
Total expenditures	\$ 1,190,724	\$ 1,060,665	\$ (130,059)

# Highland Community College District #519

Special Revenue

Working Cash Fund

Schedule of Revenues and Expenditures Compared to Budget

For the year ended June 30, 2017

	Budget	Actual	Over (Under) Budget
<b>Revenues</b>			
<b>Other Sources</b>			
Interest on investments	\$ 15,000	\$ 47,820	\$ 32,820
Other revenue	-	-	-
<b>Total revenues</b>	<b>\$ 15,000</b>	<b>\$ 47,820</b>	<b>\$ 32,820</b>
<b>Expenditures</b>			
<b>Institutional Support</b>			
Salaries	\$ -	\$ -	\$ -
Employee benefits	-	-	-
Contractual services	-	-	-
General materials and supplies	-	-	-
Conferences and meetings	-	-	-
Fixed charges	-	-	-
Capital outlay	-	-	-
Other	8,000	8,655	655
<b>Total institutional support</b>	<b>8,000</b>	<b>8,655</b>	<b>655</b>
<b>Total expenditures</b>	<b>\$ 8,000</b>	<b>\$ 8,655</b>	<b>\$ 655</b>
Other financing sources of funds:			
Bond proceeds	\$ -	\$ -	\$ -
Premium on debt issued	-	-	-
Operating transfer out	(7,000)	(39,165)	(32,165)
<b>Total other financing sources of funds</b>	<b>\$ (7,000)</b>	<b>\$ (39,165)</b>	<b>\$ (32,165)</b>

# Highland Community College District #519

## Schedule of Tort Expenditures

For the year ended June 30, 2017

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Risk management related salaries and benefits	\$	512,797
Insurance		276,383
Legal services		-
Security and safety related		271,485
<hr/>		
Total tort expenditures	\$	1,060,665
<hr/> <hr/>		

# Highland Community College District #519

Capital Projects

Operations and Maintenance Fund - Restricted

Schedule of Revenues and Expenditures Compared to Budget

For the year ended June 30, 2017

	Budget	Actual	Over (Under) Budget
<b>Revenues</b>			
<b>Local Governmental Sources</b>			
Current taxes	\$ 400,000	\$ 399,770	\$ (230)
Back taxes	400,000	400,244	244
Total local government sources	800,000	800,014	14
<b>State Governmental Sources</b>			
Deferred Maintenance Grant	-	-	-
ADA Grant	-	-	-
Total state government sources	-	-	-
<b>Other Sources</b>			
Other gifts/revenue	-	2,467	2,467
Interest on investments	-	25,314	25,314
Total other sources	-	27,781	27,781
Total revenues	\$ 800,000	\$ 827,795	\$ 27,795
<b>Expenditures</b>			
<b>Capital Projects</b>			
Contractual services	\$ 73,418	\$ 23,052	\$ (50,366)
General materials & supplies	9,835	1,473	(8,362)
Capital outlay	2,608,937	1,152,966	(1,455,971)
Other	-	-	-
Total expenditures	\$ 2,692,190	\$ 1,177,491	\$ (1,514,699)
<b>Other financing sources (uses)</b>			
Bond proceeds	\$ -	\$ -	\$ -
Capital lease proceeds	-	-	-
Operating transfers out	(118,650)	(50,000)	68,650
Total other financing sources	\$ (118,650)	\$ (50,000)	\$ 68,650



# Highland Community College District #519

Fiduciary Funds

Agency Funds

Schedule of Yearly Activity By Individual Account

For the year ended June 30, 2017

	Balance 6/30/2016	Receipts	Disburse- ments	Equity Transfers In/Out	Balance 6/30/2017
HCC road and parking	\$ 74,197	\$ -	\$ -	\$ -	\$ 74,197
YMCA road and parking	73,780	5,000	-	-	78,780
YMCA building/maintenance	48,644	-	11,512	-	37,132
HCC building/maintenance	65,734	-	11,512	-	54,222
YMCA/HCC interest	95,943	483	-	-	96,426
SAVTES road and parking	51,621	5,000	-	-	56,621
Flex fund	3,400	88,861	71,691	-	20,570
	\$ 413,319	\$ 99,344	\$ 94,715	\$ -	\$ 417,948

## **ICCB Supplementary Information**

# Highland Community College District #519

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

LEVY YEARS 2016, 2015, AND 2014

	2016 Levy	2015 Levy	2014 Levy
<b>Assessed valuation</b>	\$ 1,687,148,342	\$ 1,660,234,440	\$ 1,651,976,422
<b>Tax Rates (per \$100 of assessed valuation)</b>			
Education Fund	0.2800	0.2800	0.2800
Operations, and Maintenance Fund	0.0750	0.0750	0.0750
Insurance	0.0489	0.0497	0.0499
Audit Fund	0.0026	0.0027	0.0027
Protection, Health & Safety	0.0474	0.0482	0.0061
Bond and Interest	0.1000	0.1032	0.0621
Social Security	0.0075	0.0076	0.0076
<b>Total</b>	<b>0.5614</b>	<b>0.5664</b>	<b>0.4834</b>
<b>Taxes Extended</b>			
Education Fund	\$ 4,724,015	\$ 4,648,656	\$ 4,625,534
Operations, and Maintenance Fund	1,265,361	1,245,176	1,238,983
Education and O&M additional	-	(3,100)	(611)
Insurance	824,978	825,124	825,021
Audit Fund	44,034	43,996	44,097
Protection, Health & Safety	800,009	800,067	100,110
Bond and Interest	1,685,676	1,720,851	1,028,178
Social Security	126,017	126,012	125,054
<b>Total</b>	<b>\$ 9,470,090</b>	<b>\$ 9,406,782</b>	<b>\$ 7,986,366</b>

# Highland Community College District #519

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

LEVY YEARS 2016, 2015, AND 2014

	<u>2016 Levy</u>	<u>2015 Levy</u>	<u>2014 Levy</u>
<b><i>Assessed valuations</i></b>			
Carroll	\$ 256,871,197	\$ 257,811,203	\$ 249,276,909
Jo Daviess	692,607,811	678,284,330	673,248,556
Ogle	123,873,730	119,674,189	117,583,543
Stephenson	613,795,604	604,464,718	611,867,414
Total	<u>\$ 1,687,148,342</u>	<u>\$ 1,660,234,440</u>	<u>\$ 1,651,976,422</u>
<b><i>Tax extensions</i></b>			
<b><u>Educational</u></b>			
Carroll	\$ 719,239	\$ 721,871	\$ 697,975
Jo Daviess	1,939,302	1,899,196	1,885,096
Ogle	346,846	335,088	329,234
Stephenson	1,718,628	1,692,501	1,713,229
	<u>4,724,015</u>	<u>4,648,656</u>	<u>4,625,534</u>
<b><u>Operation and Maintenance</u></b>			
Carroll	192,653	193,358	186,958
Jo Daviess	519,456	508,713	504,936
Ogle	92,905	89,756	88,188
Stephenson	460,347	453,349	458,901
	<u>1,265,361</u>	<u>1,245,176</u>	<u>1,238,983</u>
<b><u>Insurance</u></b>			
Carroll	125,610	128,132	124,489
Jo Daviess	338,685	337,107	336,220
Ogle	60,537	59,466	58,745
Stephenson	300,146	300,419	305,567
	<u>824,978</u>	<u>825,124</u>	<u>825,021</u>
<b><u>Audit</u></b>			
Carroll	6,704	6,832	6,656
Jo Daviess	18,077	17,975	17,976
Ogle	3,233	3,171	3,128
Stephenson	16,020	16,018	16,337
	<u>44,034</u>	<u>43,996</u>	<u>44,097</u>

# Highland Community College District #519

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

LEVY YEARS 2016, 2015, AND 2014

	2016 Levy	2015 Levy	2014 Levy
<b><u>Tax extensions (continued)</u></b>			
<b><u>Protection, Health, &amp; Safety</u></b>			
Carroll	121,808	124,239	15,106
Jo Daviess	328,435	326,865	40,799
Ogle	58,704	57,671	7,126
Stephenson	291,062	291,292	37,079
	800,009	800,067	100,110
<b><u>Bond and Interest</u></b>			
Carroll	255,664	266,190	154,851
Jo Daviess	692,815	703,856	418,222
Ogle	123,217	123,552	73,055
Stephenson	613,980	627,253	382,050
	1,685,676	1,720,851	1,028,178
<b><u>Social Security</u></b>			
Carroll	19,188	19,568	18,870
Jo Daviess	51,738	51,482	50,965
Ogle	9,241	9,083	8,901
Stephenson	45,850	45,879	46,318
	126,017	126,012	125,054
<b><u>Prior Year Adjustment</u></b>			
Carroll	-	-	-
Jo Daviess	-	-	-
Ogle	-	(3,100)	(611)
Stephenson	-	-	-
	-	(3,100)	(611)
<b>Total</b>	<b>\$ 9,470,090</b>	<b>\$ 9,406,782</b>	<b>\$ 7,986,366</b>

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# Highland Community College District #519

## Summary Schedule of Taxes Receivable and Tax Collections Governmental Fund Types

For the year ended June 30, 2017

Year	Levy Valuation	Assessed Rate	Combined Taxes Extended	Total Collected to June 30, 2016
2015	\$ 1,660,234,440	0.5664	\$ 9,406,782	\$ 1,272,091
2016	1,687,148,342	0.5614	9,470,090	-
<b>Total</b>				<b>\$ 1,272,091</b>

### 2016 Property Taxes Extended

	Uncollected June 30, 2017
Education	\$ 3,605,988
Operations, and Maintenance	965,889
Insurance	629,373
Audit	33,613
Protection, Health & Safety	610,314
Bond and Interest	1,281,027
Social Security	96,074
Difference due to estimated equalized assessed value	8,563
<b>Total</b>	<b>\$ 7,230,841</b>

Collected During Year Ended June 30, 2017	Total Collected to June 30, 2017	Percent Collected June 30, 2017	Allowance for Uncollectible Taxes	Balance After Allowance
\$ 8,134,771	\$ 9,406,862	100.00%	\$ -	\$ -
2,239,249	2,239,249	23.65%	-	7,230,841
<u>\$ 10,374,020</u>	<u>\$ 11,646,111</u>	<u>61.70%</u>	<u>\$ -</u>	<u>\$ 7,230,841</u>



# Highland Community College District #519

## Schedule of Legal Debt Margin

For the year ended June 30, 2017

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Assessed valuation - 2016 levy	\$ 1,687,148,342
Debt limit, 2.875% of assessed valuation	\$ 48,505,515
Total long-term debt	8,362,499
Legal debt margin	\$ 40,143,016

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# Highland Community College District #519

## All Funds Summary

Uniform Financial Statement #1, Fiscal Year 2017

	Education Fund	Operations & Mainten- ance Fund	Operations & Mainten- ance Fund (Restricted)	Bond and Interest Fund
Fund balance, July 1, 2016	\$ 2,302,269	\$ 616,175	\$ 2,282,550	\$ 998,170
<b>Revenues</b>				
Local tax revenue	4,849,279	1,529,953	800,014	1,692,448
All other local revenue	-	-	-	-
ICCB grants	1,688,334	176,065	-	-
All other state revenue	-	-	-	-
Federal revenue	32,900	-	-	-
Student tuition and fees	5,286,021	-	-	-
All other revenue	980,261	81,075	27,781	-
<b>Total revenue</b>	<b>12,836,795</b>	<b>1,787,093</b>	<b>827,795</b>	<b>1,692,448</b>
<b>Expenditures</b>				
Instruction	6,913,645	-	-	-
Academic support	769,692	-	-	-
Student services	1,049,891	-	-	-
Public service	417,720	-	-	-
Organized research	-	-	-	-
Auxiliary services	-	-	-	-
Operations and maintenance	-	1,397,078	578,411	-
Institutional support	2,772,510	-	599,080	1,726,046
Scholarships, grants, waivers	433,267	-	-	-
<b>Total expenditures</b>	<b>12,356,725</b>	<b>1,397,078</b>	<b>1,177,491</b>	<b>1,726,046</b>
Other financing sources	-	-	-	-
Net transfers	91,274	-	(50,000)	-
Prior period adjustment	-	-	-	-
Fund balance, June 30, 2017	\$ 2,873,613	\$ 1,006,190	\$ 1,882,854	\$ 964,572

Restricted Purpose Fund	Auxiliary Enterprises Fund	Working Cash Fund	Audit Fund	Liability, Protection, and Settlement Fund	Total
\$ 863,273	\$ 109,985	\$ 10,338,285	\$ 14,015	\$ 495,540	\$18,020,262
-	-	-	44,033	951,155	9,866,882
-	-	-	-	-	-
369,156	-	-	-	-	2,233,555
16,784	-	-	-	-	16,784
4,458,180	-	-	-	-	4,491,080
548,949	1,237,278	-	-	-	7,072,248
451,829	85,745	47,820	-	-	1,674,511
5,844,898	1,323,023	47,820	44,033	951,155	25,355,060
429,154	-	-	-	-	7,342,799
-	-	-	-	-	769,692
387,724	-	-	-	-	1,437,615
121,768	-	-	-	-	539,488
-	-	-	-	-	-
-	1,465,314	-	-	-	1,465,314
-	-	-	-	504,286	2,479,775
806,324	-	8,655	45,000	556,379	6,513,994
4,024,829	-	-	-	-	4,458,096
5,769,799	1,465,314	8,655	45,000	1,060,665	25,006,773
-	-	-	-	-	-
(37,109)	35,000	(39,165)	-	-	-
-	-	-	-	-	-
\$ 901,263	\$ 2,694	\$ 10,338,285	\$ 13,048	\$ 386,030	\$18,368,549

# Highland Community College District #519

## All Funds Summary (Continued)

Uniform Financial Statement #1, Fiscal Year 2017

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	Total
Fund balance, July 1, 2016	\$ 18,020,262
<b>Revenues</b>	
Local tax revenue	9,866,882
All other local revenue	-
ICCB grants	2,233,555
All other state revenue	16,784
Federal revenue	4,491,080
Student tuition and fees	7,072,248
All other revenue	1,674,511
Total revenue	25,355,060
<b>Expenditures</b>	
Instruction	7,342,799
Academic support	769,692
Student services	1,437,615
Public service	539,488
Organized research	-
Auxiliary services	1,465,314
Operations and maintenance	2,479,775
Institutional support	6,513,994
Scholarships, grants, waivers	4,458,096
Total expenditures	25,006,773
Other financing sources, bond proceeds	-
Net transfers	-
Fund balance, June 30, 2017	\$ 18,368,549

# Highland Community College District #519

## Summary of Fixed Assets and Debt Uniform Financial Statement #2

Fiscal Year ended June 30, 2017

	Fixed Asset/Debt Account Groups June 30, 2016	Additions	Deletions	Fixed Asset/Debt Account Groups June 30, 2017
<b>Fixed Assets</b>				
Sites and improvements	\$ 4,088,411	\$ -	\$ -	\$ 4,088,411
Construction in process	-	-	-	-
Buildings, additions and improvements	24,994,764	1,084,225	-	26,078,989
Equipment	2,750,289	54,590	-	2,804,879
Technology	2,800,152	53,148	-	2,853,300
<b>Total fixed assets</b>	<b>34,633,616</b>	<b>1,191,963</b>	<b>-</b>	<b>35,825,579</b>
<b>Accumulated depreciation</b>	<b>16,334,078</b>	<b>1,425,105</b>	<b>-</b>	<b>17,759,183</b>
<b>Net fixed assets</b>	<b>\$ 18,299,538</b>	<b>\$ (233,142)</b>	<b>\$ -</b>	<b>\$ 18,066,396</b>

### Debts

Bonds Payable	\$ 6,990,000	\$ -	\$ 1,555,000	\$ 5,435,000
Debt certificates	3,195,000	-	370,000	2,825,000
Accrued compensated absences	107,813	18,119	-	125,932
Capital lease payable	139,667	-	37,168	102,499
Unamortized premium on bonds	188,390	-	44,815	143,575
<b>Total fixed liabilities</b>	<b>\$ 10,620,870</b>	<b>\$ 18,119</b>	<b>\$ 2,006,983</b>	<b>\$ 8,632,006</b>

# Highland Community College District #519

## Operating Funds Revenues and Expenditures Uniform Financial Statement #3

Fiscal Year ended June 30, 2017

### **Operating Revenues by Source**

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
<b>Local Government Revenue</b>			
Local taxes	\$ 4,688,259	\$ 1,255,784	\$ 5,944,043
CPPRT	161,020	274,169	435,189
Total local government	4,849,279	1,529,953	6,379,232
<b>State Government</b>			
ICCB base operating grant	1,081,540	176,065	1,257,605
ICCB equalization grants	361,790	-	361,790
ICCB - Career and Technical Education	245,004	-	245,004
Other	-	-	-
Total state government	1,688,334	176,065	1,864,399
<b>Federal Government</b>			
Dept. of Education	32,900	-	32,900
Dept. of Labor	-	-	-
Other	-	-	-
Total federal government	32,900	-	32,900
<b>Student Tuition &amp; Fees</b>			
Tuition	4,675,610	-	4,675,610
Fees	610,411	-	610,411
Total tuition & fees	5,286,021	-	5,286,021
<b>Other Sources</b>			
Sales and service fees	44,273	-	44,273
Facilities revenue	31,535	78,126	109,661
Investment revenue	12,930	-	12,930
Non-governmental grants	853,374	-	853,374
Other	38,149	2,949	41,098
Total other revenue	980,261	81,075	1,061,336
Total revenue	\$ 12,836,795	\$ 1,787,093	\$ 14,623,888

# Highland Community College District #519

## Operating Funds Revenues and Expenditures Uniform Financial Statement #3

Fiscal Year ended June 30, 2017

<b>Operating Expenditures</b>	Education Fund	Operations and Maintenance Fund	Total Operating Funds
<b>By Program</b>			
Instruction	\$ 6,913,645	\$ -	\$ 6,913,645
Academic support	769,692	-	769,692
Student services	1,049,891	-	1,049,891
Public service	417,720	-	417,720
Operations and Maintenance	-	1,397,078	1,397,078
Institutional support	2,772,510	-	2,772,510
Scholarships, grants, waivers	433,267	-	433,267
Transfers and other	-	-	-
Total expenditures	12,356,725	1,397,078	13,753,803
Less non-operating items*:			
Tuition chargeback	-	-	-
Transfers to Non-operating funds	91,274	-	91,274
Adjusted expenditures	\$ 12,447,999	\$ 1,397,078	\$ 13,845,077
<b>By Object</b>			
Salaries	\$ 7,913,969	\$ 564,880	\$ 8,478,849
Employee benefits	1,994,778	221,055	2,215,833
Contractual services	520,235	95,208	615,443
General materials and supplies	678,808	151,319	830,127
Library materials **	64,767	-	64,767
Conference and meeting expenses	156,552	240	156,792
Fixed charges	483,771	-	483,771
Utilities	20,678	588,761	609,439
Capital outlay	11,512	5,595	17,107
Student grants and scholarships**	433,517	-	433,517
Transfers and other	-	-	-
Other	576,422	(229,980)	346,442
Total expenditures	12,356,725	1,397,078	13,753,803
Less non-operating items*:			
Tuition chargeback	-	-	-
Transfers to non-operating funds	91,274	-	91,274
Adjusted expenditures	\$ 12,447,999	\$ 1,397,078	\$ 13,845,077

\* 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, 2017

### **Revenues by Source**

	Restricted Purposes Fund
<b>State Government</b>	
ICCB - Program Improvement Grant	\$ 112,163
ICCB - Adult Education	256,993
ICCB - Other **	-
Dept. of Corrections	-
Other ***	16,784
<hr/>	
Total state government	385,940
<hr/>	
<b>Federal Government</b>	
Dept. of Education	4,402,553
Department of Labor	-
Other	55,627
<hr/>	
Total federal government	4,458,180
<hr/>	
<b>Other Sources</b>	
Tuition and fees	548,949
Other	451,829
<hr/>	
Total other sources	1,000,778
<hr/>	
Total restricted purposes fund revenues	\$ 5,844,898

### **Expenditures by Program**

Instruction	\$ 429,154
Academic support	-
Student services	387,724
Public service/continuing education	121,768
Organized research	-
Auxiliary services	-
Operations and maintenance	-
Institutional support	806,324
Scholarships, grants and waivers	4,024,829
<hr/>	
Total restricted purposes fund expenditures	\$ 5,769,799

# Highland Community College District #519

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

Fiscal Year ended June 30, 2017

### **Expenditures by Object**

	Restricted Purposes Fund
Salaries	\$ 830,842
Employee benefits	169,804
Contractual services	449,750
Student financial aid	4,026,829
General materials and supplies	107,424
Library materials*	-
Conference and meeting expenses	39,557
Fixed charges	22,371
Utilities	4,152
Capital outlay	54,022
Other	65,048
Student grants and scholarships*	-
<b>Total restricted purposes fund expenditures</b>	<b>\$ 5,769,799</b>

\* Non-add line

### **State Government Detail**

** ICCB other	Bridging the Gap	\$ -
	ICCB Student Success Grant	-
<b>Total state sources other</b>		<b>\$ -</b>

*** State sources other	Literacy Sec of State	\$ -
	RSVP Department of Aging	16,784
	Gateways Professional Development System	-
<b>Total state sources other</b>		<b>\$ 16,784</b>

# Highland Community College District #519

## Current Funds - Expenditures by Activity Uniform Financial Statement #5

Fiscal Year ended June 30, 2017

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### **Instruction**

Instructional programs \$ 7,342,799

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### **Academic Support**

Library Center 287,627  
Instructional Materials Center 55,297  
Educational Media Services 343,734  
Academic Computing Support 83,034  
Other -

---

Total academic support 769,692

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### **Student Services Support**

Admissions and records 277,597  
Counseling and career services 565,527  
Financial aid administration 347,117  
Other 247,374

---

Total student services support 1,437,615

---

### **Public Service/Continuing Education**

Community education 111,051  
Customized training (instructional) 420  
Community services 428,017

---

Total public service/continuing education 539,488

---

### **Auxiliary Services**

1,465,314

---

### **Operations and Maintenance of Plant**

Maintenance 56,107  
Custodial services 493,110  
Grounds 123,581  
Campus security 494,563  
Transportation 32,252  
Utilities 588,519  
Administration 103,486  
Other 9,746

---

Total operations and maintenance of plant 1,901,364

---

# Highland Community College District #519

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

For the year ended June 30, 2017

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### **Institutional Support**

Executive management	286,345
Fiscal operations	637,880
Community relations	319,730
Administrative support services	451,733
Board of trustees	131,960
General institutions	1,248,557
Institutional research	152,906
Administrative data processing	951,102
Other	-

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Total institutional support	4,180,213
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<b>Scholarships, Student Grants &amp; Waivers</b>	4,458,096
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Total current funds expenditures	\$ 22,094,581
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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 2018

For the year ended June 30, 2017

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### All Fiscal Year 2017 Noncapital Audited Operating Expenditures from the Following Funds:

1. Education Fund	\$ 12,342,450
2. Operations and Maintenance Fund	1,391,483
3. Public Building Commission Operation and Maintenance Fund	-
4. Bond and Interest Fund	1,726,046
5. Public Building Commission Rental Fund	-
6. Restricted Purposes Fund	4,522,713
7. Audit Fund	45,000
8. Liability, Protection, and Settlement Fund	1,060,665
9. Auxiliary Enterprises Fund (subsidy only)	-
10. Total non-capital audited expenditures	21,088,357
11. Depreciation on capital outlay expenditures (equipment, buildings, and fixed equipment paid) from sources other than state and federal funds	1,191,805
12. TOTAL COSTS INCLUDED	\$ 22,280,162
13. Total certified semester credit hours for FY 2017	37,485.50
14. PER CAPITA COST	\$ 594.37
15. All FY 2017 state and federal operating grants for noncapital expenditures, except ICCB grants	\$ 4,112,938
16. FY 2017 state and federal grants per semester credit hour	109.72
17. District's average ICCB grant rate (excluding equalization grants) for FY 2018	27.83
18. District's student tuition and fee rate per semester credit hour for FY 2018	141.00
19. Chargeback reimbursement per semester credit hour	\$ 315.82

Approved:   
Chief Fiscal Officer

10/2/17  
Date

Approved:   
President

10/2/17  
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, 2017, 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.

Our audit also included a review of compliance with provisions of laws, regulations, contracts, and grants between the District and the State of Illinois and Illinois Community College Board (ICCB).

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, 2017, 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 2, 2017



# Highland Community College District #519

## Career and Technical Education-Program Improvement Balance Sheet

For the year ended June 30, 2017

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### **Assets**

Cash	\$	-
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### **Liabilities and Fund Balance**

Accounts payable	\$	-
Cash overdraft		-

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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 Improvement Statement of Revenues, Expenditures, and Changes in Fund Balance

For the year ended June 30, 2017

	Actual
<hr/>	
<b>Revenue</b>	
State sources	\$ 12,877
<hr/>	
<b>Expenditures</b>	
Current year's grant	
Contractual services	-
Materials and supplies	11,406
Conference and meeting expenses	1,471
Other expenditures	-
<hr/>	
Total expenditures	12,877
<hr/>	
Excess (shortage) of revenue over (under) expenditures	-
Transfer in (out) from (to) other funds	-
Fund balance, beginning	-
<hr/>	
Fund balance, ending	\$ -
<hr/> <hr/>	

# Highland Community College District #519

## State Adult Education and Family Literacy Restricted Funds Balance Sheet

June 30, 2017

	State Basic	Public Assistance	Performance	Total (Memorandum Only)
<b>Assets</b>				
Cash	\$ 2,771	\$ -	\$ -	\$ 2,771
Accounts receivable	-	-	-	-
<b>Total assets</b>	<b>\$ 2,771</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,771</b>
<b>Liabilities and Fund Balance</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Cash overdraft	-	-	-	-
Accrued expenses	2,771	-	-	2,771
Deferred revenue	-	-	-	-
<b>Total liabilities</b>	<b>2,771</b>	<b>-</b>	<b>-</b>	<b>2,771</b>
Fund balance	-	-	-	-
<b>Total liabilities and fund balance</b>	<b>\$ 2,771</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,771</b>

# 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, 2017

	Actual			Total
	State Basic	Public Assistance	Performance	
<b>Revenue</b>				
State sources	\$ 107,805	\$ -	\$ 31,343	\$ 139,148
<b>Expenditures</b>				
Instruction	39,042	-	-	39,042
Social work services	13,417	-	6,196	19,613
Student transportation services	-	-	-	-
Literacy Services	21,843	-	-	21,843
Guidance services	7,850	-	834	8,684
Assessment & Testing	9,305	-	936	10,241
Child Care Services	-	-	-	-
Improvement of instructional services	588	-	-	588
General administration	4,586	-	19,048	23,634
Operation & maintenance of plant services	-	-	-	-
Workforce coordination	-	-	3,367	3,367
Data & information services	11,174	-	962	12,136
<b>Total expenditures</b>	<b>107,805</b>	<b>-</b>	<b>31,343</b>	<b>139,148</b>
Excess of revenue over (under) expenditures	-	-	-	-
Transfers from (to) other funds	-	-	-	-
Excess of revenue over (under) expenditures and transfers	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

# 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, 2017

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<b>State Basic</b>	Audited Expenditure Amount	Actual Expenditure Percentage
Instruction (45% Minimum Required)	91,457	84.84%
General Administration (15% Maximum Allowed)	4,586	4.25%

<b>State Public Assistance</b>	Audited Expenditure Amount	Actual Expenditure Percentage
Instruction (45% Minimum Required)	-	0.00%
General Administration (15% Maximum Allowed)	-	0.00%

# Highland Community College District #519

## Notes to ICCB State Grant Financial Statements

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### **Note 1 Summary of Significant Accounting Policies**

a. General

The preceding statements (pages 91 - 95) 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, 2017. Funds obligated for goods prior to June 30 for which the goods are received prior to August 31, 2017 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, 2017. 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, 2017, 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, 2017, and our report thereon dated October 2, 2017, expressed as an unmodified opinion on those financial statements.

*Wipfli LLP*

Freeport, Illinois  
October 2, 2017



# Highland Community College District #519

## Schedule of Enrollment Data and Other Bases

Upon Which Claims are Filed

For the year ended June 30, 2017

Categories	Total Semester Credit Hours by Term (In-District and Out of District Reimbursable)*						
	Summer		Fall		Spring		Total
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	
Baccalaureate	2,069.5	-	11,000.5	8.0	9,932.5	6.0	23,016.5
Business Occupational	76.0	-	717.0	-	1,055.0	-	1,848.0
Technical Occupational	238.0	-	1,891.0	-	2,819.5	-	4,948.5
Health Occupational	274.0	-	1,223.0	88.0	2,217.0	-	3,802.0
Remedial Developmental	205.0	30.0	1,651.0	106.0	1,007.0	74.0	3,073.0
Adult Basic Education/Adult Secondary Education	-	-	-	377.0	-	420.5	797.5
<b>Total credit hours certified</b>	<b>2,862.5</b>	<b>30.0</b>	<b>16,482.5</b>	<b>579.0</b>	<b>17,031.0</b>	<b>500.5</b>	<b>37,485.5</b>
<b>Semester Credit Hours</b>	<b>32,109.5</b>				<b>644.0</b>		<b>32,753.5</b>
<b>Reimbursable Semester Credit Hours (All Terms)</b>					<b>Dual Credit</b>	<b>Dual Enrollment</b>	
					<b>5,091.0</b>	<b>534.0</b>	
<b>District 2016 Equalized Assessed Valuation</b>							<b>\$ 1,687,148,342</b>

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

\* Unrestricted credit hours are supported with 50 percent or more of unrestricted sources of funding and are reimbursable if they meet all eligibility requirements. Restricted credit hours are supported with more than 50 percent of restricted sources of funding. Total of unrestricted and restricted should equal the SU and SR record totals.

  
President

  
Chief Financial Officer

Attending In-District  
Attending Out-of-District on Chargeback or Contractual Agreement  
Total



# Highland Community College District #519

## Reconciliation of Total Semester Credit Hours

For the year ended June 30, 2017

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	23,002.5	23,002.5	-	14.0	14.0	-
Business Occupational	1,848.0	1,848.0	-	-	-	-
Technical Occupational	4,948.5	4,948.5	-	-	-	-
Health Occupational	3,714.0	3,714.0	-	88.0	88.0	-
Remedial Developmental	2,863.0	2,863.0	-	210.0	210.0	-
Adult Basic Education/Adult Secondary Education	-	-	-	797.5	797.5	-
Total	36,376.00	36,376.00	-	1,109.50	1,109.50	-

### Reconciliation of In-District/Chargeback Agreement Credit Hours

	Total Attending	Total Attending Certified to ICCB	Difference
In-District Residents	32,109.5	32,109.5	-
Out-of-District on Chargeback	-	-	-
	Total Attending	Total Attending Certified to ICCB	Difference
Dual Credit	5,091.0	5,091.0	-
Dual Enrollment	534.0	534.0	-

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

# 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 Aquin, Dakota, East Dubuque, Eastland, Forreston, Freeport, Galena, Lena-Winslow, Orangeville, Oregon, Pearl City, River Ridge, Scales Mound, Stockton, Warren, and West Carroll. In addition, former Career Tech students from the Durand and Pecatonica School Districts will be considered In-District.

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

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### **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)

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### **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.

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## **Annual Federal Financial Compliance Section**

## **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters**

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 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 discretely presented component unit of Highland Community College, Illinois Community College District #519 (the District) as of and for the year ended June 30, 2017 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 2, 2017. The financial statements of Highland Community College Foundation were not audited in accordance with *Government Auditing Standards*.

### **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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's 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 2, 2017





## **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

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 (the District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District'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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

## 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Wipfli LLP*

Freeport, Illinois  
October 2, 2017

# Highland Community College District #519

## Schedule of Expenditure of Federal Awards

	<u>CFDA*</u> <u>Number</u>	<u>Pass-Through</u> <u>Grantor's</u> <u>Number</u>	<u>Expenditures</u>	<u>Passed</u> <u>Through to</u> <u>Subrecipients</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 17 **	84.007	P007A161164	\$ 36,573	\$ 0
Federal Work Study Program FY 17 **	84.033	P033A161164	83,945	0
Pell Grant Program FY 17 **	84.063	P063P161346	2,806,694	0
Pell Grant Program Administrative Allowance FY 17 **	84.063	P063P161346	4,545	0
Federal Direct Student Loans**	84.268	P268K171346	<u>1,183,064</u>	<u>0</u>
Total Student Financial Aid cluster			<u>4,114,821</u>	<u>0</u>
Title IV Grant 2017, Student Support Services	84.042A	P042A100463-15	245,138	0
Title IV Grant 2016, Student Support Services	84.042A	P042A111100	<u>42,594</u>	<u>0</u>
Total Trio Grant cluster			<u>287,732</u>	<u>0</u>
Passed through the Illinois Community College Board:				
Innovation Grant	84.048	9519	10,000	0
CTE Perkins Postsecondary	84.048A	CTE51914	99,286	0
Federal Basic	84.002A	51-901	89,900	0
EI/Civics	84.002A	51-901	<u>27,945</u>	<u>0</u>
Total passed through ICCB			<u>227,131</u>	<u>0</u>
Total U.S. Department of Education			<u>4,629,684</u>	<u>0</u>

See the Notes to the Schedule of Expenditures of Federal Awards

# 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>Expenditures</u>	<u>Passed</u> <u>Through to</u> <u>Subrecipients</u>
<u>U.S. Department of Labor:</u>				
Passed through the Illinois Department of Commerce and Economic Opportunity:				
IGEN-TAA	17.282	TC-225171160A17	-	0
<u>U.S. Department of Health &amp; Human Services:</u>				
Direct Program - Retired Senior Volunteer Program (RSVP)	94.002	13SRNIL009	<u>45,627</u>	<u>0</u>
Total Activity of Federal Awards			<u>\$4,675,311</u>	<u>\$ 0</u>

\* Catalog of Federal Domestic Assistance Number.

\*\* Denotes a major program

See the Notes to the Schedule of Expenditures of Federal Awards

# Highland Community College District #519

## Notes to Schedule of Expenditure of Federal Awards

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### **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 (the District) under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Government, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District. The District has not elected to use the 10% de minimus indirect cost rate during the year ending June 30, 2017.

### **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 the Uniform Guidance, 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 Loan Program**

The District's participation in the U.S. Department of Education's Student Financial Aid Program includes the Federal Direct Student Loan Program. The College does not make the loan as this is done directly with the students by the lenders. The College includes the value of the loans made during the year as federal awards expended in the Schedule of Expenditures of Federal Awards. The balance of the loans from previous years is not included because the lender accounts for the prior balances.

### **Note 4 Sub-Recipients**

For the year ended June 30, 2017, the District had no sub-recipients of federal funds.

### **Note 5 Nonmonetary Assistance**

For the year ended June 30, 2017, the District received no federal funds in the form of nonmonetary assistance.

### **Note 6 Other Federal Award Information**

The District has no loans or loan guarantees at fiscal year end June 30, 2017.

# Highland Community College District #519

## Schedule of Findings and Questioned Costs

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

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major programs:

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

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

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?  Yes  No

#### Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
Student Financial Aid Cluster:	
84.007	Federal Supplemental Educational Opportunity Grant
84.268	Federal Direct Student Loans
84.033	Federal Work-Study Program
84.063	Federal PELL Grant Program

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low risk auditee?  Yes  No

# Highland Community College District #519

## Schedule of Findings and Questioned Costs (Continued)

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### 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

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Current Number	Comment	Corrective Action Plan	Completion	Person
None				



# Highland Community College District #519

## Summary Schedule of Prior Year Audit Findings

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June 30, 2016

### Section II Financial Statement Finding

#### A. Significant Deficiencies in Internal Control

##### **2016-001**

Condition and Criteria – There is inadequate control over the functions of processing and recording of accounts payable due to inadequate segregation of duties. Internal controls should be in place that provide reasonable assurance that not one individual handles a transaction from its inception to its completion.

Cause – Staffing reductions in the purchasing departments have made it difficult for the College to implement adequate segregation of duties.

Effects or Potential Effects – Without adequate segregation of duties, the likelihood that unauthorized or false transactions will be prevented or detected in a timely fashion is significantly diminished which may result in misstated financial statements.

Auditor's Recommendation – There should be controls over the accounts payable process so no individual can take a transaction from its inception to completion.

View of Responsible Officials and Planned Corrective Actions – We agree with the finding and have developed a corrective action plan.

### Section III Findings and Questioned Costs for Federal Awards

None

June 30, 2015

### 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

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Lead Auditor: Matthew J. Schueler  
Wipfli LLP

Tel. No.: (815) 233-1512

The audit was performed between June 19, 2017 and October 2, 2017 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	June 19, 2017 - October 2, 2017

Institution's Accrediting Organization: Higher Learning Commission

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.