

Highland Community College District #519

Freeport, Illinois

Annual Financial Report

June 30, 2018

Highland Community College District #519

Year Ended June 30, 2018

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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, 2018, 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, 2018, 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.

Change in Accounting Principle

As discussed in note 1 to the financial statements, the College adopted new accounting guidance GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the Management Discussion and Analysis, Schedules of Share of Net Pension Liability and Contributions, and Schedules of Share of Net OPEB 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 10, 2018 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 solely 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 effectiveness of the District's 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.

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

Rockford, Illinois
October 10, 2018

Management Discussion and Analysis

Highland Community College District #519

Management Discussion and Analysis

Introduction

This section of Highland Community College District 519's (the District) financial report presents management discussion and analysis of the financial position and results of activities of the District as of June 30, 2018. 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, 2018 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, 2018 reflects the District's adoption of certain GASB statement's relating to component units. Under these statements, if a private foundation provides financial support to a public college or university at a level that meets specified criteria, the foundation is considered a "component unit" of the college for purposes of financial reporting and the college is required to include the foundation's financial activities in the college's financial statements.

Highland Community College District #519

Management Discussion and Analysis

Using the Financial Statements (Continued)

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

Condensed Financial Information

Net position is summarized in the table below.

Condensed Statement of Net Position June 30,

	<u>2018</u>	<u>As Restated 2017</u>
Assets:		
Current Assets	\$27,194,841	\$26,469,793
Non-current Assets:		
Capital (Fixed) assets	<u>16,922,407</u>	<u>18,066,396</u>
Total assets	<u>\$44,117,248</u>	<u>\$44,536,189</u>
Total deferred outflows of resources	<u>\$ 356,524</u>	<u>\$ 165,015</u>
Liabilities:		
Current Liabilities	\$ 5,675,565	\$ 5,469,679
Non-current Liabilities	<u>13,588,211</u>	<u>15,657,612</u>
Total liabilities	<u>\$19,263,776</u>	<u>\$21,127,291</u>
Total deferred inflows of resources	<u>\$ 5,578,920</u>	<u>\$ 4,730,765</u>
Net Position:		
Net investment in capital assets	\$11,707,974	\$11,770,322
Restricted, expendable:		
Capital projects	2,300,193	1,882,854
Debt service	977,632	964,572
Working cash	10,338,285	10,338,285
Other	1,061,408	901,263
Unrestricted	<u>(6,754,416)</u>	<u>(7,014,148)</u>
Total net position	<u>\$19,631,076</u>	<u>\$18,843,148</u>

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

The District's largest asset group is its capital assets. This includes land and land improvements, buildings, equipment, and technology. Capital projects completed in fiscal year 2018 include the Voip phone system, fire alarm system, and chemistry lab renovations. Major projects begun in fiscal year 2018 were completed prior to the fiscal year end.

Highland Community College District #519

Management Discussion and Analysis

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. They also include the other postemployment benefits payable.

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>2018</u>	<u>2017*</u>
Total operating revenues	\$ 6,869,389	\$ 6,737,928
Total operating expenses	<u>27,855,804</u>	<u>27,086,467</u>
Operating loss	(20,986,415)	(20,348,539)
Nonoperating revenues (expenses)	<u>21,774,343</u>	<u>22,459,569</u>
Change in net position	787,928	2,111,030
Net position, beginning of year	27,838,582	25,727,552
Prior period adjustment	<u>(8,995,434)</u>	<u>-</u>
Net position, end of year	<u>\$19,631,076</u>	<u>\$27,838,582</u>

*Adjustments have not been made to restate 2017 for the effects of GASB Statement No. 75.

Sources of operating revenues for the District include: tuition and fees, \$3,786,593, auxiliary enterprises revenue, \$1,339,697, and other revenues, \$1,743,099. Nonoperating revenues and operating expenses include a State Universities Retirement System of Illinois (SURS) contribution provided by the State in the amount of \$5,643,817.

Highland Community College District #519

Management Discussion and Analysis

Condensed Financial Information (Continued)

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

The District's sources of non-operating revenue include state appropriations, \$1,653,900, property and replacement taxes, \$9,899,030, and federal grants and contracts, \$4,632,102. The increase in net position for fiscal year 2018 is \$787,928.

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>2018</u>	<u>2017*</u>
Instruction	\$ 10,713,937	\$ 10,514,935
Academic support	1,136,606	1,127,928
Student services	4,289,009	4,189,387
Public services	1,045,385	957,287
Operations and maintenance of plant	2,395,169	2,414,500
General administration	2,035,527	1,990,702
Independent operations	-	-
Institutional support	2,610,064	2,570,990
Auxiliary enterprises	1,413,513	1,465,314
Scholarships, grants, waivers	423,387	430,317
Capital projects	-	-
Depreciation	<u>1,793,207</u>	<u>1,425,105</u>
Total operating expenses	<u>\$27,855,804</u>	<u>\$27,086,467</u>
Interest expense and other	<u>\$196,388</u>	<u>\$194,973</u>

*Adjustments have not been made to restate 2017 for the effects of GASB Statement No. 75.

The main factors contributing to the change in the District's operating revenues in fiscal year 2018 is the decrease in student tuition and fees of \$144,322 and increase in other operating revenues of \$259,109.

Highland Community College District #519

Management Discussion and Analysis

Condensed Financial Information (Continued)

Changes in operating expenses from 2017 to 2018 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 along with the change in other postemployment expenses in FY'2018 with the implementation of GASB 75.

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 \$787,928. 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 \$536,418. The variance in results of \$251,510 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, 2018, of key importance is the fund balance in the Operating Funds, which decreased by \$29,617 from June 30, 2017 to June 30, 2018. This decrease results in a fund balance amount of \$3,850,186, which is approximately 21% of the 2018 expenditures and is within the District's recommended guidelines. Fund balances in the other fund types are limited in use according to the source of revenue. These restricted types of funds will be used for capital expenditures, debt repayment, and grant programs.

Capital Assets/Long Term Debt

During the year ended June 30, 2018, the District invested \$720,840 in capital assets. This includes \$99,614 for buildings and improvements, and \$621,226 expended for equipment and technology. Capital projects were funded by a combination of restricted real estate tax revenue, operating funds, and bond proceeds.

Highland Community College District #519

Management Discussion and Analysis

Capital Assets/Long Term Debt (Continued)

Working cash bonds were issued in fiscal year 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 2019.

Highland Community College District #519

Management Discussion and Analysis

Factors or Conditions Impacting Future Periods (Continued)

Property tax revenue in the Operating Funds increased by less than 1% for fiscal year 2018, similar to fiscal year 2017, which was the second increase experienced in 5 years. The District experienced a 2.1% increase in equalized assessed valuation (EAV) from tax year 2016 to 2017. 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 4% increase in tuition revenue in fiscal year 2019 based on estimated enrollment in new offerings for 2018-2019 academic year, combined with level tuition rates.

The State of Illinois adopted a budget for fiscal year 2019 prior to the start of the fiscal year, which improved the College's budgeting efforts as compared to the lack of budget information available in the two previous fiscal years resulting from the budget impasses. State appropriations for the District for fiscal year 2019 are \$56,416 more than the fiscal year 2018 State funding. Revenues from the Highland Community College Foundation are expected to increase by 2.6% to \$1,219,131 for fiscal year 2019. Overall, Operating funds revenue is expected to increase by \$564,570, 3.9%, from fiscal year 2018 actual levels to fiscal year 2019.

For fiscal year 2019, the Operating funds budget includes expenditures in excess of revenues in the amount of \$90,593. 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 2019 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. The fiscal year 2019 directly supports and is linked to the Strategic Plan.

Highland Community College District #519

Management Discussion and Analysis

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

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Highland Community College District #519

Statement of Net Position/Net Assets

June 30, 2018

	Primary Government	Component Unit Highland Community College Foundation
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,091,708	\$ 349,225
Investments	12,759,607	21,967,477
Receivables:		
Taxes	7,556,447	-
Related party	6,716	-
Other, net of \$1,530,459 allowance for doubtful accounts	2,347,034	1,521,303
Inventories	365,832	-
Prepaid expense	67,497	4,029
Total current assets	27,194,841	23,842,034
Non-current assets:		
Land	110,000	-
Fixed assets	35,101,214	81,348
Less allowance for accumulated depreciation	(18,288,807)	(62,481)
Total non-current assets	16,922,407	18,867
Total assets	44,117,248	23,860,901
Deferred Outflows of Resources		
SURS pension contribution	40,836	-
Other postemployment benefits - CIP	205,224	-
Deferred charge on refunding	110,464	-
Total deferred outflows of resources	356,524	-
Liabilities		
Current liabilities:		
Accounts payable	170,695	7,122
Accounts payable, related party	-	4,896
Accrued expenses	461,781	105,778
Agency deposits	441,194	-

See accompanying notes to financial statements.

Unearned tuition revenue	2,370,548	-
Accrued compensated absences	115,299	-
Capital lease payable	66,775	-
Debt certificates payable	390,000	-
Bonds payable, including unamortized premium	1,659,273	-
Total current liabilities	5,675,565	117,796
Non-current liabilities:		
Accrued compensated absences	25,530	-
Debt certificates payable	2,055,000	-
Bonds payable, including unamortized premium	2,303,385	-
Other postemployment benefits - CIP	9,204,296	-
Total non-current liabilities	13,588,211	-
Total liabilities	19,263,776	117,796
<i>Deferred Inflows of Resources</i>		
Property taxes	4,786,063	-
Other postemployment benefits - CIP	792,857	-
Total deferred inflows of resources	5,578,920	-
<i>Net Position/Net Assets</i>		
Net investment in capital assets	11,707,974	-
Restricted, expendable:		
Capital projects	2,300,193	-
Debt service	977,632	-
Working cash	10,338,285	-
Other	1,061,408	-
Temporarily restricted	-	7,298,066
Permanently restricted	-	4,769,310
Unrestricted - Board designated	-	8,226,395
Unrestricted	(6,754,416)	3,449,334
Total net position/net assets	\$ 19,631,076	\$ 23,743,105

See accompanying notes to financial statements.

Highland Community College District #519

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

For the year ended June 30, 2018

	Primary Government	Component Unit Highland Community College Foundation
Revenues		
Operating Revenues:		
Student tuition and fees, net of scholarship allowances of \$2,068,819	\$ 3,786,593	\$ -
Auxiliary enterprises revenue	1,339,697	-
Other operating revenues	1,743,099	2,447,345
Total operating revenues	6,869,389	2,447,345
Expenses		
Operating Expenses:		
Instruction	10,713,937	-
Academic support	1,136,606	-
Student services	4,289,009	-
Public services	1,045,385	-
Operations and maintenance of plant	2,395,169	-
General administration	2,035,527	-
Institutional support	2,610,064	605,860
Auxiliary enterprises	1,413,513	-
Scholarships, student grants, and waivers	423,387	1,471,115
Depreciation	1,793,207	-
Total operating expenses	27,855,804	2,076,975
Operating income (loss)	(20,986,415)	370,370
Non-operating revenues (expenses)		
State sources	1,653,900	-
SURS contribution provided by state	5,643,817	-
Property and replacement taxes	9,899,030	-
Federal grants and contracts	4,632,102	-
Interest expense and other	(124,766)	-
Loss on disposal of assets	(71,622)	-
Investment income earned	141,882	1,634,707
Total non-operating revenues	21,774,343	1,634,707
Change in net position/net assets	787,928	2,005,077
Net position/net assets, beginning of year as restated	18,843,148	21,738,028
Net position/net assets, end of year	\$ 19,631,076	\$ 23,743,105

Highland Community College District #519

Statement of Cash Flows

For the year ended June 30, 2018

	Primary Government
Cash Flows from Operating Activities	
Tuition and fees	\$ 3,808,008
Payments to/for:	
Employees	(10,090,699)
Suppliers and students	(9,658,475)
Auxiliary enterprises	1,360,446
Other receipts	2,248,873
Net cash provided by (used in) operations	(12,331,847)
Cash Flows from Noncapital Financing Activities	
State sources	2,789,464
Property and replacement taxes	9,688,924
Federal grants and contracts	4,632,102
Net cash provided by (used for) noncapital financing activities	17,110,490
Cash Flows from Capital Financing Activities	
Purchases of capital assets and construction	(720,840)
Principal paid on capital debt	(1,965,724)
Interest paid on capital debt	(124,766)
Net cash provided by (used for) capital financing activities	(2,811,330)
Cash Flows from Investing Activities	
Maturity of investments	4,612,184
Purchase of investments	(5,960,355)
Interest and earnings on investments	141,882
Net cash provided by (used for) investing activities	(1,206,289)
Net increase (decrease) in cash and cash equivalents	761,024
Beginning cash and cash equivalents	3,330,684
Ending cash and cash equivalents	\$ 4,091,708
Noncash, Capital and Related Financing Activities:	
SURS contribution paid by state	\$ 5,643,817

Highland Community College District #519

Statement of Cash Flows (Continued)

For the year ended June 30, 2018

	Primary Government
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (used) From Operating Activities	
Operating income (loss)	\$ (20,986,415)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	1,793,207
On-behalf payments for SURS	5,643,817
Changes in net assets:	
Receivables (net)	459,984
Inventories	20,749
Prepaid expenses	(12,580)
SURS pension contribution	(6,368)
Accounts payable	82,500
Accrued expenses	(47,383)
Accrued compensated absences	14,897
Other post employment benefits	661,084
Deposits held in custody for others	23,246
Unearned tuition and fees	21,415
Net cash provided (used) by operating activities	\$ (12,331,847)

Highland Community College District #519

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

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

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

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

The Foundation is a not-for-profit organization that reports their financial results under Financial Accounting Standard Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB 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

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

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

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, 2018.

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 2016 and 2017 were allocated fifty percent for each of the two years after the levy year.

Highland Community College District #519

Notes to Financial Statements

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 2017 rate is for tax levy payable in calendar year 2018, per \$100 of assessed valuation.

	Statutory Maximum <u>Rate</u>	2015 <u>Rate</u>	2016 <u>Rate</u>	2017 <u>Rate</u>
Education Fund*	\$.1750	\$.2800	\$.2800	\$.2800
Operations and Maintenance Fund	.0750	.0750	.0750	.0750
Average Additional	.2100	.0000	.0000	.0000
Liability Insurance	None	.0497	.0489	.0521
Audit Fund	.0050	.0027	.0026	.0026
Protection, Health, & Safety	.0500	.0482	.0474	.0395
Social Security/Medicare Fund**	None	.0076	.0075	.0078
Prior Year Adjustment	None	.0000	.0000	.0000
Bond and Interest Fund	None	<u>.1032</u>	<u>.1000</u>	<u>.0995</u>
Total		<u>\$.5664</u>	<u>\$.5614</u>	<u>\$.5565</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, 2018, 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

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

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, 2018, 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, 2018, the District recorded a vacation liability of \$115,299. 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, 2018, the District recorded a sick pay liability of \$25,530. 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.

Other Post-Employment ("OPEB") Obligations

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and to OPEB expense, information about the plan net position of the College Insurance Plan ("CIP") and additions to/deductions from CIP's plan net position has been determined on the same basis as they are reported by CIP. For this purpose, OPEB payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment are reported at fair value.

Highland Community College District #519

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

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 an OPEB plan that is used to provide OPEB 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 OPEB or (2) the non-employer is the only entity with a legal obligation to make contributions directly to an OPEB plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

New Accounting Pronouncement

Management adopted new accounting guidance GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB No. 75 replaces the requirements of GASB Statement No. 45 on accounting and financial reporting by employers for postemployment benefits other than pensions. See Note 16 for the restatement of beginning net position.

Highland Community College District #519

Notes to Financial Statements

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, 2018:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>
Land				
(non-depreciable)	\$ 110,000	\$ -	\$ -	\$ 110,000
Land improvements	3,978,411	25,899	750,589	3,253,721
Buildings	26,078,989	73,715	30,182	26,122,522
Equipment	2,804,879	198,780	230,226	2,773,433
Technology	<u>2,853,300</u>	<u>422,446</u>	<u>324,208</u>	<u>2,951,538</u>
	<u>\$35,825,579</u>	<u>\$720,840</u>	<u>\$ 1,335,205</u>	<u>\$35,211,214</u>

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>
Land improvements	\$ 3,703,853	\$ 30,768	\$ 750,589	\$ 2,984,032
Buildings	10,749,260	520,474	9,408	11,260,326
Equipment	1,917,479	274,260	230,226	1,961,513
Technology	<u>1,388,593</u>	<u>967,705</u>	<u>273,362</u>	<u>2,082,936</u>
	<u>\$17,759,185</u>	<u>\$1,793,207</u>	<u>\$ 1,263,585</u>	<u>\$18,288,807</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 their acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated on the straight line basis based on the following:

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

Highland Community College District #519

Notes to Financial Statements

Note 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 2018 and 2017, the state made contributions of \$5,643,817 and \$5,970,598, 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.

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, 2017 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

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 2017 and 2018 respectively, was 12.53% and 12.46% 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, 2017, SURS reported a net pension liability (NPL) of \$25,481,105,995.

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 \$59,600,307 or 0.2339%. This amount should not be recognized in the financial statement. The net pension liability and total pension liability as of June 30, 2017 was determined based on the June 30, 2016 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2017.

Pension Expense At June 30, 2017 SURS reported a collective net pension expense of \$2,412,918,129.

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 2017. As a result, the District recognized on-behalf revenue and pension expense of \$5,643,816 for the fiscal year ended June 30, 2018.

Highland Community College District #519

Notes to Financial Statements

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	\$ 139,193,227	\$ 1,170,771
Changes in assumption	205,004,315	259,657,577
Net difference between projected and actual earnings on pension plan investments	94,620,827	-
Total	\$ 438,818,369	\$ 260,828,348

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
2018	\$55,589,850
2019	187,874,276
2020	90,475,551
2021	(155,949,656)
2022	-
Thereafter	-
Total	\$177,990,021

Employer Deferral of Fiscal Year 2018 Pension Expense

The District paid \$40,836 in federal, trust or grant contributions for the fiscal year ended June 30, 2018. These contributions were made subsequent to the pension liability measurement date of June 30, 2017 and are recognized as Deferred Outflows of Resources as of June 30, 2018.

Highland Community College District #519

Notes to Financial Statements

Note 5 Pension Plan (Continued)

Assumptions and Other Inputs

Actuarial assumptions. The actuarial assumptions used in the June 30, 2017 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, 2017 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, 2017, 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%	7.34%
Global Equity	8%	6.85%
Fixed Income	19%	1.38%
Treasury-Inflation Protected Securities	4%	1.17%
Emerging Market Debt	3%	4.14%
Real Estate REITS	4%	5.75%
Direct Real Estate	6%	4.62%
Commodities	2%	4.23%
Hedged Strategies	5%	3.95%
Opportunity Fund	1%	6.71%
Total	100%	5.20%
Inflation		2.75%
Expected Arithmetic Return		7.95%

Highland Community College District #519

Notes to Financial Statements

Note 5 Pension Plan (Continued)

Discount Rate. A single discount rate of 7.09% 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 3.56% (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 7.09%, 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 6.09%	Current Single Discount Rate Assumption 7.09%	1% Increase 8.09%
\$30,885,146,279	\$25,481,105,995	\$20,997,457,586

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.

Note 6 Other Postemployment Benefits

Plan Administration. The Community College Health Insurance Security Fund (CCHISF) (also known as The College Insurance Program, "CIP") is a non-appropriated trust fund held outside the State Treasury, with the State Treasurer as custodian. The CIP was established under the State Employees Group Insurance Act of 1971, as amended, 5 ILCS 375/6.9 (f), which became effective July 1, 1999. The purpose of the CCHISF is to receive and record all revenues from the administration of health benefit programs under Article 15 of the Illinois Pension Code. Additions deposited into the Trust are for the sole purpose of providing the health benefits to retirees, as established under the plan, and associated administrative costs. CIP is a cost-sharing multiple-employer defined benefit post-employment healthcare plan with a special funding situation that covers retired employees and their dependents of Illinois community college districts throughout the State of Illinois, excluding the City Colleges of Chicago. As a result of the Governor's Executive Order 12-01, the responsibilities in relation to CIP were transferred to the Department of Central Management Services (Department) as of July 1, 2013. The Department administers the plan with

Highland Community College District #519

Notes to Financial Statements

Note 6 Other Postemployment Benefits (Continued)

the cooperation of the State Universities Retirement System and the boards of trustees of the various community college districts.

Benefit Provisions. A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department may be obtained by writing to the Department of Central Management Services, 401 South Spring Street, Springfield, Illinois, 62706-4100.

Benefits Provided. CIP health coverage includes provisions for medical, prescription drugs, vision, dental and behavioral health benefits. Eligibility to participate in the CIP is defined in the State Employees Group Insurance Act of 1971 (ACT) (5 ILCS 375/3). The Act (5 ILCS 375/6.9) also establishes health benefits for community college benefit recipients and dependent beneficiaries.

Contributions. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.10) requires every active contributor of the State Universities Retirement System (SURS), who is a full-time employee of a community college district or an association of community college boards, to make contributions to the plan at the rate of 0.5% of the salary. The same section of statute requires every community college district or association of community college boards that is an employer under the SURS, to contribute to the plan an amount equal to 0.5% of the salary paid to its full-time employees who participate in the plan. The State Pension Funds Continuing Appropriate Act (40 ILCS 15/1.4) requires the State to make an annual appropriation to the fund in an amount certified by the SURS Board of Trustees. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.9) requires the Director of the Department to determine the rates and premiums for annuitants and dependent beneficiaries and establish the cost-sharing parameter, as well as funding. At the option of the board of trustees, the college districts may pay all or part of the balance of the cost of coverage for retirees from their district. Administrative costs are paid by the CCHISF.

For the year ended June 30, 2017, member required contributions ranged from \$110.45 to \$111.19 per month per retiree, and from \$441.79 to \$444.76, per month per dependent beneficiary (assuming Medicare eligibility). Non-Medicare eligible members' required contributions ranged from \$109.33 to \$431.11 per retiree and from \$437.31 to \$1,724.44 per dependent family members. Active employees contributed \$4.367 million, or approximately 33.48% of total premiums, representing 0.5% of their salaries, and participating college districts contributed \$4.367 million, or 33.48% of total premiums, representing 0.5% of their salaries, and participating college districts contributed \$4.367 million, or 33.48% of total premiums, representing their required 0.5% contribution. The State contributed \$4.309 million, or approximately 33.04% of total premiums, representing their required contribution of 0.5% of estimated active employee salaries. The fund received \$185 thousand in Medicare Part D subsidy payments from the federal government. Retiree contributions are netted with related liability.

Highland Community College District #519

Notes to Financial Statements

Note 6 Other Post-Employment Benefits (Continued)

OPEB Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017. At June 30, 2017, CIP reported a net OPEB liability of \$1,823,636,957.

Employer Proportionate Share of Net OPEB Liability

The amount of the proportionate share of the net OPEB liability to be recognized for the College is \$9,204,296 or 0.5047%. This amount is recognized in the financial statement. The change in the College's proportionate net OPEB liability was an increase of 0.01046%. The proportionate share of the State's net OPEB liability associated with the College is \$9,083,069. The total proportionate share of the net OPEB liability associated with the College is \$18,287,365. The net OPEB liability and total OPEB liability as of June 30, 2018 was determined based on the June 30, 2017 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net OPEB liability is the actual reported OPEB contributions made to CIP during fiscal year 2017.

OPEB Expense.

At June 30, 2017, CIP reported a collective net OPEB expense of \$169,446,479.

Employer Proportionate Share of OPEB Expense

The employer proportionate share of collective OPEB 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 OPEB expense is the actual reported OPEB contributions made to CIP during fiscal year 2017. As a result, the College recognized on-behalf revenue of \$46,664 and OPEB expense of \$661,083 for the fiscal year ended June 30, 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

Deferred outflows of resources are the consumption of net position by the system that is applicable to future reporting periods.

Highland Community College District #519

Notes to Financial Statements

Note 6 Other Post-Employment Benefits (Continued)

The College's Deferred Outflows and Deferred Inflows of Resources by Sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$0	\$26,050
Changes in assumption	0	766,710
Net difference between projected and actual earnings on OPEB plan investments	0	97
Changes in proportion and differences between employer contributions and share of contributions	158,560	0
Total deferred amounts to be recognized in pension expense in future periods	158,560	792,857
OPEB contributions made subsequent to the measurement date	46,664	0
Total	\$205,224	\$792,857

OPEB Collective Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future OPEB Expenses:

Year ended June 30:	Net Deferred Inflows of Resources
2019	\$105,716
2020	105,716
2021	105,716
2022	105,716
2023	105,716
2024	105,717
Total	\$634,297

Employer Deferral of Fiscal Year 2018 OPEB Expense

The College paid \$46,664 CIP contributions for the fiscal year ended June 30, 2018. These contributions were made subsequent to the OPEB liability date of June 30, 2017 and are recognized as Deferred Outflows of Resources as of June 30, 2018.

Assumptions and Other Inputs

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement date, unless otherwise specified.

Inflation 2.75%

Highland Community College District #519

Notes to Financial Statements

Note 6 Other Post-Employment Benefits (Continued)

Salary increases	Depends on service and ranges from 10.00% at less than 1 year of service to 3.75% at 34 or more years of service. Salary increase includes a 3.75% wage inflation assumption.
Investment rate of return	0%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.00% for non-Medicare costs and post-Medicare costs, respectively, and gradually decreases to an ultimate trend of 4.5%. Additional trend rate of 0.52% is added to non-Medicare cost on and after 2020 to account for the Excise Tax.

Mortality rates for retirement and beneficiary annuitants were based on the RP-2014 White Collar Annuitant Mortality Table. For disabled annuitants mortality rates were based on the RP-2014 Disabled Annuitant table. Mortality rates for pre-retirement were based on the RP-2014 White Collar Table. Tables were adjusted for SURS experience. All tables reflect future mortality improvements using Projection Scale MP-2014.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period June 30, 2010 to June 30, 2014.

Projected benefit payments were discounted to their actuarial present value using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bond with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). Since CIP is financed on a pay-as-you-go basis, a discount rate consistent with the 20-year general obligation bond index has been selected. The discount rates are 2.85% as of June 30, 2016, and 3.56% as of June 30, 2017. The increase in the single discount rate from 2.85% to 3.56% caused the total OPEB liability to decrease by approximately \$182 million from 2016 to 2017.

The actuarial valuation was based on the Entry Age Normal cost method. Under this method, the normal cost and actuarial accrued liability are directly proportional to the employee's salary. The normal cost rate equals the present value of future benefits at entry age divided by the present value of future salary at entry age. The normal cost at the member's attained age equals the normal cost rate at entry age multiplied by the salary at attained age. The actuarial accrued liability equals the present value of benefits at attained age less present value of future salaries at attained age multiplied by normal cost rate at entry age.

Highland Community College District #519

Notes to Financial Statements

Note 6 Other Post-Employment Benefits (Continued)

During the plan year ending June 30, 2017, the trust earned \$24,000 in interest and due to a significant benefit payable, the market value of assets at June 30, 2017, is a negative \$51 million. Given the significant benefit payable, negative asset value and pay-as-you-go funding policy, the long-term expected rate of return assumption was set to zero.

Sensitivity of Net OPEB Liability to Changes in the Single Discount Rate

The following presents the plan's net OPEB liability, calculated using a Single Discount Rate of 3.56%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.56%) or lower (2.56%) than the current rate:

Sensitivity of Net OPEB Liability as of June 30, 2017 to the Single Discount Rate Assumption			
	1% Decrease (2.56%)	Current Single Discount Rate Assumption (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$2,085,622,937	\$1,823,636,960	\$1,597,770,691

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the plan's net OPEB liability, calculated using the healthcare cost trend rates of well as what the plan's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates. The key trend rates are 8.00% in 018 decreasing to an ultimate trend rate of 5.02% in 2025, for non-Medicare coverage, and 9.00% in 2018 decreasing to an ultimate trend rate of 4.5% in 2027 for Medicare coverage.

Sensitivity of Net OPEB Liability as of June 30, 2017 to the Healthcare Cost Trend Rate Assumption			
	1% Decrease (a)	Healthcare Cost Trend Rates Assumption	1% Increase (b)
Net OPEB liability	\$1,512,891,678	\$1,823,636,960	\$2,273,321,981

- (a) One percentage point decrease in healthcare trend rates are 7.00% in 2018 decreasing to an ultimate trend rate of 4.02% in 2025, for non-Medicare coverage, and 8.00% in 2018 decreasing to an ultimate trend rate of 3.50% in 2027 for Medicare coverage.
- (b) One percentage point increase in healthcare trend rates are 9.00% in 2018 decreasing to an ultimate trend rate of 6.02% in 2025, for non-Medicare coverage, and 10.00% in 2018 decreasing to an ultimate trend rate of 5.50% in 2027 for Medicare coverage.

Highland Community College District #519

Notes to Financial Statements

Note 7 Deposits and Investments

Cash and investments as of June 30, 2018 consist of the following:

	<u>Carrying Amount</u>
Cash and cash equivalents	\$ 4,091,708
Marketable certificates of deposit and money market	1,608,117
ISDLAF External investment pool	7,988,228
IPTIP External investment pool	<u>3,163,262</u>
Total	<u>\$16,851,315</u>

Deposits

Concentration of credit risk and Foreign Currency Risk:

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At year end, the District's carrying amount of deposits was \$4,090,330 and the bank balance was \$4,344,348.

Of the bank balance, \$4,344,348 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, 2018, the District's investments were as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Marketable certificates of deposit and money market	\$1,608,117	\$1,608,117
External investment pool	11,151,490	11,151,490
Total investments	<u>\$12,759,607</u>	<u>\$12,759,607</u>

Highland Community College District #519

Notes to Financial Statements

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 2018.

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>\$11,151,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,151,490</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, 2018</u>	<u>AAAm</u>	<u>Aa</u>	<u>Unrated</u>
External investment pool	<u>\$11,151,490</u>	<u>\$11,151,490</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

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, 2018 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

	Balance July 1, 2017	Issuances	Retirements	Balance June 30, 2018
2012 G.O. Rfdg. Debt Cert.	\$2,825,000	\$ -	\$380,000	\$2,445,000
2012 Gen. Oblig. WC Bonds	345,000	-	345,000	-
2014 G.O. Bonds	3,225,000	-	600,000	2,625,000
2016 Gen. Oblig. WC Bonds	1,865,000	-	605,000	1,260,000
2012 Copier Capital Lease	21,775	-	18,082	3,693
2014 Bus Capital Lease	<u>80,724</u>	<u>-</u>	<u>17,642</u>	<u>63,082</u>
Total	<u>\$8,362,499</u>	<u>\$ -</u>	<u>\$1,965,724</u>	<u>\$6,396,775</u>
Premium on bonds	<u>\$143,575</u>	<u>\$ -</u>	<u>\$ 65,917</u>	<u>\$ 77,658</u>

	<u>Due Within One Year</u>
2012 G.O. Rfdg. Debt Cert.	\$ 390,000
2014 G.O. Bonds	1,000,000
2016 Gen. Oblig. WC Bonds	620,000
2012 Copier Capital Lease	3,693
2014 Bus Capital Lease	63,082
Premium on bonds	<u>39,273</u>
Total due in one year	<u>\$ 2,116,048</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. These bonds were paid off in fiscal year ending June 30, 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, 2018, \$110,464 remains as a deferred charge on the bond refunding.

Highland Community College District #519

Notes to Financial Statements

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, 2018, 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>
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	420,000	20,600	440,600
2024	<u>425,000</u>	<u>10,626</u>	<u>435,626</u>
	<u>\$6,330,000</u>	<u>\$308,298</u>	<u>\$6,638,298</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>
2019	\$ 66,775	\$ 1,063	\$ 67,838
2020	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 66,775</u>	<u>\$ 1,063</u>	<u>\$ 67,838</u>

Highland Community College District #519

Notes to Financial Statements

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

A computation of the legal debt margin of the District as of June 30, 2018, is as follows:

Assessed valuation – 2017 tax levy	\$1,721,936,668
Debt limit – 2.875% of assessed valuation	49,505,679
Less applicable debt	<u>(6,396,775)</u>
Legal debt margin	<u>\$ 43,108,904</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 2018 totals \$227,968. As of June 30, 2018, the YMCA had paid \$234,667. The YMCA has a balance due to them of \$6,699 included in accounts payable 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, 2018, the following amounts were available for the District's share of these expenditures:

Road and lot	\$ 89,197
Building maintenance	54,222
Accumulated interest	<u>48,488</u>
Total	<u>\$191,907</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

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, 2018, \$1,819,287 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 \$6,716 as of June 30, 2018.

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, 2018 the District was not involved in any significant construction commitments.

Note 14 Pending Accounting Pronouncements

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 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 periods beginning after June 15, 2018. The District has not determined the effect of this Statement.

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. The District has not determined the effect of this Statement.

Highland Community College District #519

Notes to Financial Statements

Note 14 Pending Accounting Pronouncements (Continued)

GASB Statement No. 87, Leases, improves accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the effect of this Statement.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District has not determined the effect of this Statement.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the effect of this Statement.

GASB Statement No. 90, Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District has not determined the effect of this Statement.

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.

Highland Community College District #519

Notes to Financial Statements

Note 15 Board Designated Assets of the Foundation (Continued)

As of June 30, 2018, \$7,226,395 of assets relating to the Endowment Challenge Grant remains. These funds may be used for any educational purpose including strengthening the District's capability to meet financial goals and increasing student access to quality higher education.

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

Note 16 Prior Year Restatement

As a result of the implementation of GASB Statement No. 75, the business-type activities beginning net position was restated as follows:

	Business-type Activities
Balance at July 1, 2017, as previously reported	\$27,838,582
Subtract beginning net OPEB liability	(8,995,434)
Balance at July 1, 2017, as restated	\$18,843,148

Highland Community College District #519

Notes to Financial Statements

Note 17 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

Note 17 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 or absence of donor-imposed restrictions.

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

Highland Community College District #519

Notes to Financial Statements

Note 17 Component Unit (Continued)

Summary of Significant Accounting Policies (Continued)

The endowment net asset composition by type of fund at June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$7,298,066	\$4,769,310	\$ 12,067,376
Board-designated endowment funds	<u>7,226,395</u>	<u>-</u>	<u>-</u>	<u>7,226,395</u>
	<u>\$7,226,395</u>	<u>\$7,298,066</u>	<u>\$4,769,310</u>	<u>\$19,293,771</u>

Changes in endowment net assets as of June 30, 2018 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	\$6,956,887	\$6,053,851	\$4,747,110	\$17,757,848
Contributions	-	2,059,889	22,200	2,082,089
Interest and dividend income	112,323	294,974	-	407,297
Net unrealized gain(loss) on investments	544,998	407,468	-	952,466
Change in value of beneficial interest and charitable remainder	-	7,334	-	7,334
Amounts appropriated for Expenditure	(387,813)	-	-	(387,813)
Amounts released from restriction	<u>-</u>	<u>(1,525,450)</u>	<u>-</u>	<u>(1,525,450)</u>
	<u>\$7,226,395</u>	<u>\$7,298,066</u>	<u>\$4,769,310</u>	<u>\$19,293,771</u>

Investments

Investments consist of the following as of June 30, 2018:

Money market funds	\$ 534,023
Certificates of deposits	459,608
Corporate and other obligations	401,927
Common stock and equity funds	1,933,359
Mutual funds	17,192,284
ETF	416,478
REIT	359,798
Property and other	<u>670,000</u>
Total investments	<u>\$21,967,477</u>

Highland Community College District #519

Notes to Financial Statements

Note 17 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, 2018 are as follows:

		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)
	<u>Fair Value</u>			
Money market	\$ 534,023	\$ 534,023	\$ -	\$ -
Certificate of deposits	459,608	459,608	-	-
Corporate and other obligations	401,927	401,927	-	-
Common stock and equity funds	1,933,359	1,933,359	-	-
Mutual funds	9,874,062	9,874,062	-	-
ETF	416,478	416,478	-	-
REIT	359,798	359,798	-	-
Property and other	<u>670,000</u>	<u>-</u>	<u>-</u>	<u>670,000</u>
Total investments	<u>\$14,649,255</u>	<u>\$13,979,255</u>	<u>\$ -</u>	<u>\$670,000</u>

The fair value of the Foundation's Level 3 investments shown above for the year ended June 30, 2018 is for 70 acres of farm property valued at \$670,000 at the end of the year. The valuation techniques used to measure the fair value of this investment is based on the last obtained appraisal completed September 11, 2018.

The table below sets forth a summary of changes in the value of the Foundation's investments measured using net asset value:

	Multi-Strategy Equity Fund	Multi-Strategy Bond Fund	Total
Fair Value as of June 30, 2017	\$5,127,395	\$1,829,492	\$6,956,887
Purchases	55,868	56,455	112,323
Fees	(21,780)	(5,206)	(26,986)
Distributions to College	-	(269,000)	(269,000)
Unrealized and realized gains	<u>584,844</u>	<u>(39,846)</u>	<u>544,998</u>
Fair Value as of June 30, 2018	<u>\$5,746,327</u>	<u>\$1,571,895</u>	<u>\$7,318,222</u>

Beneficial Interest in Perpetual Trust

The Foundation established the Highland Community College Foundation/Rubin Matching Scholarship Fund with Community Foundation of Northern Illinois in 2016. The fund agreement allows the use of the fund's principal and income in accordance with the Community Foundation of Northern Illinois's spending policy for permanent funds for supporting of Highland Community College Foundation. The investments are held at Community Foundation of Northern Illinois, which were contributed by the Foundation and are reported at fair value as beneficial interest in perpetual trust in the amount of \$424,743 as of June 30, 2018.

Highland Community College District #519

Notes to Financial Statements

Note 17 Component Unit (Continued)

Property and Equipment

A summary of equipment is as follows:

	<u>Cost</u> <u>6/30/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Cost</u> <u>6/30/2018</u>
Equipment	\$ 71,178	\$ 10,170	\$ -	\$81,348
Less accumulated Depreciation	<u>(57,106)</u>	<u>(5,375)</u>	<u>-</u>	<u>(62,481)</u>
Total, net of accumulated Depreciation	<u>\$ 14,072</u>	<u>\$ 4,795</u>	<u>\$ -</u>	<u>\$18,867</u>

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

Income Taxes

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

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

Prior Year Restatement

The Foundation reclassified the funds of \$169,100 to start the Highland Community College Foundation/Rubin Matching Scholarship Fund to beneficial interest in perpetual trust. The temporarily restricted net asset increased by \$169,100 as of June 30, 2017.

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)

	2017	2016	2015	2014
Proportion percentage of the collective net pension liability	0%	0%	0%	0%
Proportion amount of the collective net pension liability	\$0	\$0	\$0	\$0
Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with the District	\$ 59,600,307	\$ 60,412,403	\$ 54,001,485	\$ 51,944,951
College DB covered-employee payroll	\$ 8,284,598	\$ 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	719.41%	716.63%	640.67%	593.45%
SURS plan net position as a percentage of total pension liability	42.04%	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 Pension Contributions Last 10 Fiscal Years

(Schedule to be Built Prospectively from 2014)

	2018	2017	2016	2015	2014
Federal, trust, grant and other contribution	\$ 40,836	\$ 34,468	\$ 31,213	\$ 42,942	\$ 50,030
Contribution in relation to required contribution	40,836	34,468	31,213	42,942	50,030
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
College covered-employee payroll	\$ 9,877,657	\$ 9,619,710	\$ 9,879,902	\$ 9,821,228	\$ 10,154,522
Contribution as a percentage of covered-employee payroll	0.41%	0.36%	0.32%	0.44%	0.49%

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 Share of Net OPEB Liability Last 10 Fiscal Years

(Schedule to be Built Prospectively from 2018)

	2017	2016	2015	2014
Proportion percentage of the collective net OPEB liability	0.50%	0.49%		
Proportion amount of the collective net OPEB liability	\$9,204,296	\$8,995,434		
Portion of nonemployer contributing entities' total proportion of collective net OPEB liability associated with the College	\$9,083,069	\$9,372,476		
Total collective net OPEB liability associated with the College	\$18,287,365	\$18,367,910		
College covered-employee payroll	8,757,600	8,959,200		
Proportion of collective net OPEB liability associated with the College as a percentage of covered-employee payroll	208.82%	205.02%		
College insurance plan net position as a percentage of total pension liability	-2.87%	-2.15%		

Highland Community College District #519

Schedule of OPEB Contributions Last 10 Fiscal Years

(Schedule to be Built Prospectively from 2018)

	2018	2017	2016	2015
Statutorily required contribution	\$46,664	\$43,788		
Contribution in relation to the required statutorily	(46,664)	(43,788)		
Contribution deficiency (excess)	\$0	\$0		
College covered-employee payroll	\$8,757,600	\$8,959,200		
Contribution as a percentage of covered- employee payroll	0.53%	0.49%		

Note: The District implemented GASB No. 75 in fiscal year 2018. 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

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, 2017.

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.

OPEB Information

Changes of OPEB Benefit Terms:

There were no benefit changes recognized in the Total OPEB Liability as of June 30, 2017.

Highland Community College District #519

Notes to Required Supplementary Information

Changes of OPEB 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 CIP. An experience review for the years June 30, 2010 to June 30, 2014, resulting in the adoption of new assumptions as of June 30, 2017. There are no changes of assumptions that affect measurement of the total collective OPEB liability since the prior measurement date.

Other Financial Information

Highland Community College District #519

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

June 30, 2018

All Fund Types - Change in Fund Balances	\$	536,418
Reduction in student tuition and fees		(2,068,819)
Reduction in financial aid expense		2,068,819
Net effect		-
Prior year recognition of summer revenue deferred		(177,844)
Prior year recognition of summer salaries deferred		41,258
Recognition of summer revenue deferred		204,204
Recognition of summer salaries deferred		(34,147)
Net effect		33,471
Compensated absences decrease (increase)		(14,897)
SURS pension contribution (decrease) increase		6,368
Other post employment benefits decrease (increase)		(661,084)
Expended for capital assets		720,840
Loss on disposal of assets		(71,622)
Depreciation		(1,793,207)
Net effect		(1,143,989)
Long-term debt issued (governmental funds)		-
Premium adjustment on bonds		65,917
Long-term debt retired (governmental funds)		1,965,724
Net effect		2,031,641
Change in net position	\$	787,928
Net position, beginning of year	\$	18,843,148
Net position, end of year		19,631,076
Change in net position	\$	787,928

Reconciliation of Combined Balance Sheet to the Statement of Net Position

Fund Balances - All Fund Types and Account Groups	\$	54,116,181
Allowance for accumulated depreciation		(18,288,807)
Recognition of summer revenue deferred		204,204
Recognition of summer salaries deferred		(34,147)
Deferral of SURS pension contribution		40,836
Amount to be provided for compensated absences		(140,829)
Amount to be provided for other post employment benefits		(9,791,929)
Amount available in debt service fund		(977,632)
Amount to be provided for retirement of general long-term debt		(5,496,801)
Net Position of Statement of Net Position	\$	19,631,076

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Highland Community College District #519

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2018

Assets	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Cash and cash equivalents	\$ 772,980	\$ 1,305,167	\$ 375,800	\$ 1,196,567
Investments	3,163,262	8,678,907	8,875	908,563
Receivables:				
Taxes	4,846,110	842,363	1,334,809	533,165
Other, net of \$1,530,459 allowance for doubtful accounts	2,080,744	239,922	-	-
Due from other funds	-	1,431,032	-	-
Inventories	-	-	-	-
Deferred expense	67,807	30,737	110,464	3,100
Fixed assets	-	-	-	-
Other debits:				
Amount to be provided for compensated absences	-	-	-	-
Amount available in the debt service fund	-	-	-	-
Amount to be provided for opeb	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total assets	\$ 10,930,903	\$ 12,528,128	\$ 1,829,948	\$ 2,641,395
Liability, Deferred Inflows and Fund Equity				
Liabilities:				
Due to other funds	\$ 1,347,990	\$ 1,344	\$ -	\$ -
Accounts payable	129,220	6,037	-	776
Accrued expenses	455,238	2,974	44	-
Agency deposits	-	-	-	-
Unearned tuition revenue	2,092,752	266,167	-	-
Accrued compensated absences	-	-	-	-
Debt certificates payable	-	-	-	-
Capital lease payable	-	-	-	-
Premium on bonds	-	-	-	-
Bonds payable	-	-	-	-
Net opeb liability	-	-	-	-
Total liabilities	4,025,200	276,522	44	776
Deferred Inflows of Resources:				
Property taxes	3,055,517	537,848	852,272	340,426
Fund equity:				
Investments in general fixed assets	-	-	-	-
Unrestricted net position	-	-	-	-
Fund balances (deficit):				
Reserved for restricted purposes	-	1,061,408	-	-
Reserved for bond requirements	-	-	977,632	-
Reserved for working cash	-	10,338,285	-	-
Unreserved - designated	3,850,186	314,065	-	2,300,193
Total fund equity	3,850,186	11,713,758	977,632	2,300,193
Total liabilities, deferred inflows and fund equity	\$ 10,930,903	\$ 12,528,128	\$ 1,829,948	\$ 2,641,395

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total
Enterprise	Agency	General Fixed Assets	Long-Term Debt	(Memorandum Only)
\$ -	\$ 441,194	\$ -	\$ -	\$ 4,091,708
-	-	-	-	12,759,607
-	-	-	-	7,556,447
33,084	-	-	-	2,353,750
-	-	-	-	1,431,032
365,832	-	-	-	365,832
-	-	-	-	212,108
-	-	35,211,214	-	35,211,214
-	-	-	140,829	140,829
-	-	-	977,632	977,632
-	-	-	9,791,929	9,791,929
-	-	-	5,496,801	5,496,801
<u>\$ 398,916</u>	<u>\$ 441,194</u>	<u>\$ 35,211,214</u>	<u>\$ 16,407,191</u>	<u>\$ 80,388,889</u>
\$ 81,698	\$ -	\$ -	\$ -	\$ 1,431,032
34,662	-	-	-	170,695
3,525	-	-	-	461,781
-	441,194	-	-	441,194
215,833	-	-	-	2,574,752
-	-	-	140,829	140,829
-	-	-	2,445,000	2,445,000
-	-	-	66,775	66,775
-	-	-	77,658	77,658
-	-	-	3,885,000	3,885,000
-	-	-	9,791,929	9,791,929
<u>335,718</u>	<u>441,194</u>	<u>-</u>	<u>16,407,191</u>	<u>21,486,645</u>
-	-	-	-	4,786,063
-	-	35,211,214	-	35,211,214
63,198	-	-	-	63,198
-	-	-	-	1,061,408
-	-	-	-	977,632
-	-	-	-	10,338,285
-	-	-	-	6,464,444
<u>63,198</u>	<u>-</u>	<u>35,211,214</u>	<u>-</u>	<u>54,116,181</u>
<u>\$ 398,916</u>	<u>\$ 441,194</u>	<u>\$ 35,211,214</u>	<u>\$ 16,407,191</u>	<u>\$ 80,388,889</u>

Highland Community College District #519

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

For the year ended June 30, 2018

	Governmental	
	General	Special Revenue
Revenues		
Local governmental sources	\$ 6,417,176	\$ 1,046,672
State governmental sources	1,255,317	398,583
Federal governmental sources	40,711	4,591,391
Student tuition and fees	5,300,057	528,995
Other sources	1,200,310	661,761
On behalf payments	-	5,643,817
Total revenue	14,213,571	12,871,219
Expenditures		
Instruction	6,992,703	396,183
Academic support	765,604	-
Student services	1,118,705	4,546,663
Public services	452,793	152,445
Operations and maintenance of plant	1,400,660	517,012
General administration	1,193,295	338,245
Independent operations	-	-
Institutional support	1,121,572	1,141,225
Scholarships, student grants, and waivers	423,387	-
Capital projects	-	-
Debt service	475,646	-
On behalf payments	-	5,643,817
Total expenditures	13,944,365	12,735,590
Excess (deficiency) of revenues over expenditures	269,206	135,629
Other financing sources (uses)		
Bond proceeds	-	-
Premiums on debt issued	-	-
Payment to escrow agent	-	-
Transfers from (to) other funds	(298,823)	(60,497)
Total other financing sources (uses)	(298,823)	(60,497)
Net change in fund balance	(29,617)	75,132
Fund balance, beginning of year	3,879,803	11,638,626
Fund balance, end of year	\$ 3,850,186	\$ 11,713,758

Fund Types		Total
Debt Service	Capital Projects	(Memorandum Only)
\$ 1,693,821	\$ 741,361	\$ 9,899,030
-	-	1,653,900
-	-	4,632,102
-	-	5,829,052
-	22,910	1,884,981
-	-	5,643,817
1,693,821	764,271	29,542,882
-	-	7,388,886
-	-	765,604
-	-	5,665,368
-	-	605,238
-	-	1,917,672
-	-	1,531,540
-	-	-
-	-	2,262,797
-	-	423,387
-	571,932	571,932
1,680,761	-	2,156,407
-	-	5,643,817
1,680,761	571,932	28,932,648
13,060	192,339	610,234
-	-	-
-	-	-
-	-	-
-	225,000	(134,320)
-	225,000	(134,320)
13,060	417,339	475,914
964,572	1,882,854	18,365,855
\$ 977,632	\$ 2,300,193	\$ 18,841,769

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, 2018

	General Fund Types		
	Budget	Actual	Over (Under) Budget
Revenues			
Local governmental sources	\$ 6,367,406	\$ 6,417,176	\$ 49,770
State governmental sources	1,246,517	1,255,317	8,800
Federal governmental sources	35,541	40,711	5,170
Student tuition and fees	5,416,610	5,300,057	(116,553)
Other sources	1,055,824	1,200,310	144,486
On behalf payments	-	-	-
Total revenues	14,121,898	14,213,571	91,673
Expenditures			
Instruction	7,116,856	6,992,703	(124,153)
Academic support	823,416	765,604	(57,812)
Student services	1,168,528	1,118,705	(49,823)
Public services	491,969	452,793	(39,176)
Operations and maintenance of plant	1,515,328	1,400,660	(114,668)
General administration	1,331,128	1,193,295	(137,833)
Independent operations	-	-	-
Institutional support	1,534,397	1,121,572	(412,825)
Scholarships, student grants, and waivers	461,700	423,387	(38,313)
Capital projects	-	-	-
Debt service	-	475,646	475,646
On behalf payments	-	-	-
Total expenditures	14,443,322	13,944,365	(498,957)
Excess (deficiency) of revenues over expenditures	(321,424)	269,206	590,630
Other financing sources (uses)			
Bond proceeds	-	-	-
Premiums on debt issued	-	-	-
Payment to escrow agent	-	-	-
Transfer from (to) other funds	(105,119)	(298,823)	(193,704)
Total other financing sources (uses)	(105,119)	(298,823)	(193,704)
Net change in fund balance	\$ (426,543)	(29,617)	\$ 396,926
Fund balance, beginning of year		3,879,803	
Fund balance, end of year		\$ 3,850,186	

Special Revenue Fund Types			Debt Service Fund Types		
Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
\$ 1,037,000	\$ 1,046,672	\$ 9,672	\$ 1,694,688	\$ 1,693,821	\$ (867)
426,575	398,583	(27,992)	-	-	-
4,737,256	4,591,391	(145,865)	-	-	-
575,000	528,995	(46,005)	-	-	-
373,276	661,761	288,485	-	-	-
-	5,643,817	5,643,817	-	-	-
7,149,107	12,871,219	5,722,112	1,694,688	1,693,821	(867)
414,193	396,183	(18,010)	-	-	-
-	-	-	-	-	-
4,707,007	4,546,663	(160,344)	-	-	-
118,599	152,445	33,846	-	-	-
536,451	517,012	(19,439)	-	-	-
299,828	338,245	38,417	-	-	-
-	-	-	-	-	-
1,344,801	1,141,225	(203,576)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,680,721	1,680,761	40
-	5,643,817	5,643,817	-	-	-
7,420,879	12,735,590	5,314,711	1,680,721	1,680,761	40
(271,772)	135,629	407,401	13,967	13,060	(907)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(60,497)	(60,497)	-	-	-
-	(60,497)	(60,497)	-	-	-
\$ (271,772)	75,132	\$ 346,904	\$ 13,967	13,060	\$ (907)
	11,638,626			964,572	
	\$ 11,713,758			\$ 977,632	

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, 2018

	Capital Project Fund Types		
	Budget	Actual	Over (Under) Budget
Revenues			
Local governmental sources	\$ 741,500	\$ 741,361	\$ (139)
State governmental sources	-	-	-
Federal governmental sources	-	-	-
Student tuition and fees	-	-	-
Other sources	-	22,910	22,910
On behalf payments	-	-	-
Total revenues	741,500	764,271	22,771
Expenditures			
Instruction	-	-	-
Academic support	-	-	-
Student services	-	-	-
Public services	-	-	-
Operations and maintenance of plant	-	-	-
General administration	-	-	-
Independent operations	-	-	-
Institutional support	-	-	-
Scholarships, student grants, and waivers	-	-	-
Capital projects	2,109,346	571,932	(1,537,414)
Debt service	-	-	-
On behalf payments	-	-	-
Total expenditures	2,109,346	571,932	(1,537,414)
Excess (deficiency) of revenues over expenditures	(1,367,846)	192,339	1,560,185
Other financing sources (uses)			
Bond proceeds	-	-	-
Capital lease proceeds	-	-	-
Transfer from (to) other funds	-	225,000	225,000
Total other financing sources (uses)	-	225,000	225,000
Net change in fund balance	\$ (1,367,846)	417,339	\$ 1,785,185
Fund balance, beginning of year		1,882,854	
Fund balance, end of year		\$ 2,300,193	

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, 2018

	Proprietary Fund Type Enterprise	
	Budget	Actual
<i>Operating revenues</i>		
Bookstore sales	\$ 834,000	\$ 787,503
Other fees	315,000	381,113
Athletics	42,460	34,018
Other sources	121,100	137,063
Total operating revenues	1,312,560	1,339,697
<i>Operating expenses</i>		
Salaries	302,850	247,065
Employee benefits	33,489	32,733
Contractual services	86,770	72,853
General materials and supplies	816,562	748,768
Conference and meeting expense	182,965	143,626
Utilities	600	542
Fixed charges	5,470	3,410
Capital outlay	500	30,907
Other	15,016	133,609
Total operating expenses	1,444,222	1,413,513
Operating income (loss)	(131,662)	(73,816)
<i>Nonoperating revenue (expenses)</i>		
Transfer from (to) other funds	135,000	134,320
Total nonoperating revenue (expenses)	135,000	134,320
Net income (loss)	\$ 3,338	60,504
Unrestricted net position beginning of year		2,694
Unrestricted net position end of year		\$ 63,198

Highland Community College District #519

Combined Statement of Cash Flows Proprietary Fund Type

For the year ended June 30, 2018

	Proprietary Fund Type
	Enterprise Fund Type
Cash Flows from Operating Activities	
Operating income (loss)	\$ (73,816)
Adjustments to reconcile net income to net cash from operating activities:	
(Increase) decrease in current assets:	
Inventory	20,749
Accounts receivable	54,441
Deferred expense	850
Due from other funds	-
Increase (decrease) in current liabilities:	
Unearned tuition revenue	67,529
Due to other funds	(216,759)
Accounts payable	11,208
Accrued expenses	1,478
Net cash provided by (used in) operations	(134,320)
Cash Flows from Investing Activities	
Purchase of investments	-
Maturity of investments	-
Net cash provided by (used for) investing activities	-
Cash Flows from Noncapital Financing Activities	
Transfer from (to) other funds	134,320
Net cash provided by (used for) noncapital financing activities	134,320
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, 2018

	Educational Fund	Operations and Mainten- ance Fund	Total General Funds
Assets			
Cash	\$ -	\$ 772,980	\$ 772,980
Investments	3,163,262	-	3,163,262
Receivables:			
Taxes	3,796,334	1,049,776	4,846,110
Other, net of \$1,496,985 allow- ance for doubtful accounts	2,080,744	-	2,080,744
Deferred expense	67,807	-	67,807
Total assets	\$ 9,108,147	\$ 1,822,756	\$ 10,930,903
Liabilities, Deferred Inflows and Fund Balance			
Liabilities:			
Cash overdraft	\$ -	\$ -	\$ -
Due to other funds	1,347,990	-	1,347,990
Accounts payable	97,177	32,043	129,220
Accrued expenses	429,024	26,214	455,238
Unearned tuition revenue	2,092,752	-	2,092,752
Total liabilities	3,966,943	58,257	4,025,200
Deferred Inflows of Resources:			
Property tax revenue	2,409,791	645,726	3,055,517
Fund balance - unreserved - designated	2,731,413	1,118,773	3,850,186
Total liabilities, deferred inflows, and fund balance	\$ 9,108,147	\$ 1,822,756	\$ 10,930,903

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, 2018

	Educational Fund	Operations and Mainten- ance Fund	Total General Funds
Revenues			
Local governmental sources	\$ 4,911,232	\$ 1,505,944	\$ 6,417,176
State governmental sources	1,093,049	162,268	1,255,317
Federal governmental sources	40,711	-	40,711
Student tuition and fees	5,300,057	-	5,300,057
Other sources	1,130,279	70,031	1,200,310
On behalf payments	-	-	-
Total revenues	12,475,328	1,738,243	14,213,571
Expenditures			
Instruction	6,992,703	-	6,992,703
Academic support	765,604	-	765,604
Student services	1,118,705	-	1,118,705
Public services	452,793	-	452,793
Operations and maintenance of plant	-	1,400,660	1,400,660
General administration	1,193,295	-	1,193,295
Institutional support	1,121,572	-	1,121,572
Scholarships, student grants, and waivers	423,387	-	423,387
Debt service	475,646	-	475,646
On behalf payments	-	-	-
Total expenditures	12,543,705	1,400,660	13,944,365
Excess (deficiency) of revenue over expenditures	(68,377)	337,583	269,206
Other financing sources (uses)			
Capital lease proceeds	-	-	-
Transfer from (to) other funds	(73,823)	(225,000)	(298,823)
Net change in fund balance	(142,200)	112,583	(29,617)
Fund balance, beginning of year	2,873,613	1,006,190	3,879,803
Fund balance, end of year	\$ 2,731,413	\$ 1,118,773	\$ 3,850,186

Highland Community College District #519

Combining Balance Sheet Governmental Fund Types - Special Revenue Funds

June 30, 2018

	Restricted Purposes Fund	Audit Fund	Liability, Protection, and Settlement Funds	Working Cash Funds	Total Special Revenue Funds
Assets					
Cash	\$ 428,532	\$ -	\$ 12,031	\$ 864,604	\$ 1,305,167
Investments	666,995	-	-	8,011,912	8,678,907
Receivables:					
Property tax	-	34,385	807,978	-	842,363
Other	239,922	-	-	-	239,922
Prepaid expense	-	-	-	30,737	30,737
Due from other funds	-	-	-	1,431,032	1,431,032
Total assets	\$ 1,335,449	\$ 34,385	\$ 820,009	\$ 10,338,285	\$ 12,528,128
Liabilities, Deferred Inflows, and Fund Balance					
Liabilities:					
Due to other funds	\$ -	\$ 1,344	\$ -	\$ -	\$ 1,344
Accounts payable	4,900	-	1,137	-	6,037
Unearned tuition revenue	266,167	-	-	-	266,167
Accrued expense	2,974	-	-	-	2,974
Total liabilities	274,041	1,344	1,137	-	276,522
Deferred outflows:					
Property taxes	-	21,955	515,893	-	537,848
Fund balance (deficit):					
Reserved for restricted purposes	1,061,408	-	-	10,338,285	11,399,693
Unreserved - designated	-	11,086	302,979	-	314,065
Total fund balance	1,061,408	11,086	302,979	10,338,285	11,713,758
Total liabilities, deferred inflows, and fund balance	\$ 1,335,449	\$ 34,385	\$ 820,009	\$ 10,338,285	\$ 12,528,128

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, 2018

	Restricted Purposes Fund	Audit Fund	Liability, Protection, and Settlement Fund	Working Cash Fund	Total Special Revenue Funds
Revenues					
Local government sources	\$ -	\$ 44,038	\$ 1,002,634	\$ -	\$ 1,046,672
State governmental sources	398,583	-	-	-	398,583
Federal governmental sources	4,591,391	-	-	-	4,591,391
Student tuition	528,995	-	-	-	528,995
Other sources	547,282	-	-	114,479	661,761
On behalf payments	5,643,817	-	-	-	5,643,817
Total revenues	11,710,068	44,038	1,002,634	114,479	12,871,219
Expenditures					
Instruction	396,183	-	-	-	396,183
Academic support	-	-	-	-	-
Student services	4,546,663	-	-	-	4,546,663
Public services	152,445	-	-	-	152,445
General administration	338,245	-	-	-	338,245
Operations and maintenance	-	-	517,012	-	517,012
Independent operations	-	-	-	-	-
Institutional support	518,566	46,000	568,673	7,986	1,141,225
Debt service	-	-	-	-	-
On behalf payments	5,643,817	-	-	-	5,643,817
Total expenditures	11,595,919	46,000	1,085,685	7,986	12,735,590
Excess (deficiency) of revenues over expenditures	114,149	(1,962)	(83,051)	106,493	135,629
Other financing sources (uses) of funds					
Bond proceeds	-	-	-	-	-
Premium on debt issued	-	-	-	-	-
Transfer from (to) other funds	45,996	-	-	(106,493)	(60,497)
Total other financing sources	45,996	-	-	(106,493)	(60,497)
Net change in fund balance	160,145	(1,962)	(83,051)	-	75,132
Fund balance, beginning of year	901,263	13,048	386,030	10,338,285	11,638,626
Fund balance, end of year	\$ 1,061,408	\$ 11,086	\$ 302,979	\$ 10,338,285	\$ 11,713,758

Highland Community College District #519

Combining Balance Sheet Fiduciary Funds

June 30, 2018

	Agency Funds
Assets	
Cash on hand and in bank	\$ 441,194
Investments	-
Receivables - other	-
Due from other funds	-
Total assets	\$ 441,194
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ -
Agency deposits	441,194
Total liabilities	441,194
Fund balances:	
Undesignated	-
Total fund balances	-
Total liabilities and fund balances	\$ 441,194

Highland Community College District #519

Educational Fund Schedule of Revenues Compared to Budget

For the year ended June 30, 2018

	Budget	Actual	Over (Under) Budget
Local Governmental Sources			
Current taxes	\$ 2,397,438	\$ 2,409,788	\$ 12,350
Corporate personal property replacement tax	123,250	132,550	9,300
Back taxes	2,362,008	2,368,894	6,886
Total local government sources	4,882,696	4,911,232	28,536
State Governmental Sources			
ICCB base operating grants	921,698	922,082	384
ICCB equalization grants	50,000	50,000	-
ICCB other	-	8,800	8,800
ICCB career and technical education	112,167	112,167	-
Total state government sources	1,083,865	1,093,049	9,184
Federal Governmental Sources			
Federal financial aid	6,000	-	(6,000)
Indirect costs	29,541	40,711	11,170
DCEO	-	-	-
Total federal governmental sources	35,541	40,711	5,170
Student Tuition and Fees			
Tuition	4,798,000	4,772,430	(25,570)
Fees	618,610	527,627	(90,983)
Total student tuition and fees	5,416,610	5,300,057	(116,553)
Other Sources			
Facilities rental	28,000	23,033	(4,967)
Interest on investments	8,000	36,596	28,596
Other revenue	938,648	1,070,650	132,002
Total other sources	974,648	1,130,279	155,631
Total revenues	\$ 12,393,360	\$ 12,475,328	\$ 81,968

Highland Community College District #519

Educational Fund

Schedule of Expenditures Compared to Budget

For the year ended June 30, 2018

	Budget	Actual	Over (Under) Budget
<i>Instruction</i>			
Salaries	\$ 5,575,048	\$ 5,537,557	\$ (37,491)
Employee benefits	1,129,065	1,094,764	(34,301)
Contractual services	85,542	70,651	(14,891)
General materials and supplies	254,979	201,688	(53,291)
Conference and meetings expense	54,813	41,675	(13,138)
Fixed charges	14,500	9,550	(4,950)
Utilities	700	671	(29)
Capital outlay	-	34,801	34,801
Other	2,209	1,346	(863)
Total instruction	7,116,856	6,992,703	(124,153)
<i>Academic Support</i>			
Salaries	518,062	488,498	(29,564)
Employee benefits	167,872	135,209	(32,663)
Contractual services	27,055	6,599	(20,456)
General materials and supplies	100,494	93,780	(6,714)
Conference and meetings expense	9,933	6,170	(3,763)
Capital outlay	-	35,348	35,348
Other	-	-	-
Total academic support	823,416	765,604	(57,812)
<i>Student Services</i>			
Salaries	805,598	782,731	(22,867)
Employee benefits	225,443	223,216	(2,227)
Contractual services	20,340	21,670	1,330
General materials and supplies	19,454	14,806	(4,648)
Conference and meetings expense	22,272	14,982	(7,290)
Fixed charges	10,100	11,489	1,389
Utilities	-	-	-
Capital outlay	-	889	889
Other	65,321	48,922	(16,399)
Total student services	1,168,528	1,118,705	(49,823)
<i>Public Services</i>			
Salaries	185,657	167,411	(18,246)
Employee benefits	14,815	16,351	1,536
Contractual services	192,495	127,283	(65,212)
General materials and supplies	37,452	40,425	2,973
Conference and meeting expense	55,950	46,500	(9,450)

Highland Community College District #519

Educational Fund (Continued)

Schedule of Expenditures Compared to Budget

For the year ended June 30, 2018

	Budget	Actual	Over (Under) Budget
Public Services (Continued)			
Fixed charges	4,600	4,652	52
Utilities	-	-	-
Capital outlay	-	4,999	4,999
Other	1,000	45,172	44,172
Total public services	491,969	452,793	(39,176)
Operations and Maintenance of Plant			
General materials and supplies	-	-	-
General Administration			
Salaries	721,296	699,264	(22,032)
Employee benefits	253,004	199,146	(53,858)
Contractual services	106,105	110,326	4,221
General materials and supplies	216,583	162,056	(54,527)
Conference and meeting expense	29,250	19,219	(10,031)
Fixed charges	-	-	-
Utilities	1,390	20	(1,370)
Capital outlay	-	189	189
Other	3,500	3,075	(425)
Total general administration	1,331,128	1,193,295	(137,833)
Institutional Support			
Salaries	485,034	318,065	(166,969)
Employee benefits	311,138	251,084	(60,054)
Contractual services	235,037	277,002	41,965
General materials and supplies	124,645	87,479	(37,166)
Conference and meeting expense	106,900	63,846	(43,054)
Fixed charges	87,843	(9,560)	(97,403)
Utilities	18,400	19,439	1,039
Capital outlay	-	6,670	6,670
Other	165,400	107,547	(57,853)
Total institutional support	1,534,397	1,121,572	(412,825)
Debt Service			
Principal and interest payments	380,000	475,646	95,646
Other			
Provision of contingency	-	-	-
Scholarships, Student Grants, & Waivers			
Other	461,700	423,387	(38,313)
Total educational fund	\$ 13,307,994	\$ 12,543,705	\$ (764,289)
Other financing sources (uses) of funds:			
Capital lease proceeds	\$ -	\$ -	\$ -
Operating transfers in	-	-	-
Operating transfers out	(105,119)	(73,823)	31,296
Total other financing sources (uses) of funds	\$ (105,119)	\$ (73,823)	\$ 31,296

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, 2018

	Budget	Actual	Over (Under) Budget
Revenues			
Local Governmental Sources			
Current taxes	\$ 642,171	\$ 645,726	\$ 3,555
Corporate personal property replacement tax	209,858	225,693	15,835
Back taxes	632,681	634,525	1,844
Total local government sources	1,484,710	1,505,944	21,234
State Governmental Sources			
State apportionment	162,652	162,268	(384)
Total state government sources	162,652	162,268	(384)
Federal Governmental Sources			
FEMA	-	-	-
Total federal sources	-	-	-
Other Sources			
Facilities rental	80,876	67,327	(13,549)
Other revenue	300	2,704	2,404
Total other sources	81,176	70,031	(11,145)
Total revenues	\$ 1,728,538	\$ 1,738,243	\$ 9,705
Expenditures			
Operation and Maintenance of Plant			
Salaries	\$ 589,046	\$ 575,035	\$ (14,011)
Employee benefits	223,273	218,944	(4,329)
Contractual services	139,076	90,512	(48,564)
General materials and supplies	172,828	114,977	(57,851)
Conference and meeting expense	3,500	225	(3,275)
Utilities	639,251	605,281	(33,970)
Other	(251,646)	(207,968)	43,678
Contingency	-	-	-
Capital outlay	-	3,654	3,654
Total expenditures	\$ 1,515,328	\$ 1,400,660	\$ (114,668)
Other financing sources (uses) of funds			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	225,000	225,000
Total financing sources (uses)	\$ -	\$ 225,000	\$ 225,000

Highland Community College District #519

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

For the year ended June 30, 2018

	Budget	Actual	Over (Under) Budget
Revenues			
State Governmental Sources			
Workforce Preparation Grant	\$ 106,727	\$ 106,727	\$ -
Student Success Grant	-	-	-
SBE Adult Education	273,927	246,796	(27,131)
SBE Vocational Education	-	-	-
Other	45,921	45,060	(861)
Total state government sources	426,575	398,583	(27,992)
Federal Governmental Sources			
Student Support Services Grant	305,347	247,544	(57,803)
College Work Study	83,945	83,945	-
Direct Federal Loan Program	1,200,000	1,220,522	20,522
Upward Bound Grant	263,935	135,933	(128,002)
Pell	2,815,000	2,824,131	9,131
SEOG	34,586	34,586	-
National Science/Other	-	-	-
Federal Career Tech	-	-	-
RSVP	34,443	44,730	10,287
IGEN/TAA Grant	-	-	-
Total federal government sources	4,737,256	4,591,391	(145,865)
Student Tuition and Fees			
Tuition	-	-	-
Fees	575,000	528,995	(46,005)
Total student tuition and fees	575,000	528,995	(46,005)
Other Sources			
Highland Community College Foundation	23,400	95,820	72,420
Investment income	18,581	20,310	1,729
In Kind	31,294	27,937	(3,357)
Other	300,001	403,215	103,214
Total other sources	373,276	547,282	174,006
Total revenue	\$ 6,112,107	\$ 6,066,251	\$ (45,856)

Highland Community College District #519

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

For the year ended June 30, 2018

	Budget	Actual	Over (Under) Budget
Expenditures			
Instruction			
Salaries	\$ 269,199	\$ 224,742	\$ (44,457)
Employee benefits	60,184	53,970	(6,214)
Contractual services	2,700	2,066	(634)
General materials and supplies	43,301	42,915	(386)
Conference and meetings expense	9,802	10,872	1,070
Fixed charges	-	-	-
Utilities	-	-	-
Capital outlay	23,124	52,279	29,155
Other	5,883	9,339	3,456
Total instruction	414,193	396,183	(18,010)
Academic Support			
Salaries	-	-	-
Employee benefits	-	-	-
Contractual services	-	-	-
General materials and supplies	-	-	-
Capital outlay	-	-	-
Conference and meetings expense	-	-	-
Other	-	-	-
Total academic support	-	-	-
Student Services			
Salaries	369,770	288,453	(81,317)
Employee benefits	118,496	64,256	(54,240)
Contractual services	3,816	9,138	5,322
General materials and supplies	47,873	13,117	(34,756)
Capital outlay	-	4,344	4,344
Conference meeting expense	46,295	52,944	6,649
Other	4,120,757	4,114,411	(6,346)
Total student services	4,707,007	4,546,663	(160,344)
Public Services			
Salaries	33,954	62,950	28,996
Employee benefits	5,943	8,020	2,077
Contractual services	17,500	24,419	6,919
General materials and supplies	20,521	20,269	(252)
Conference and meeting expense	8,483	7,529	(954)
Fixed charges	23,571	22,296	(1,275)
Utilities	4,152	4,152	-
Capital Outlay	-	150	150
Other	4,475	2,660	(1,815)
Total public services	118,599	152,445	33,846

Highland Community College District #519

Special Revenue - Restricted Purpose Fund (Continued)

Schedule of Expenditures Compared to Budget

For the year ended June 30, 2018

	Budget	Actual	Over (Under) Budget
Expenditures (Continued)			
Institutional Support			
Salaries	74,229	74,852	623
General materials and supplies	1,950	2,061	111
Employee Benefits	16,645	16,645	-
Conference and meetings expense	250	329	79
Capital outlay	-	-	-
Contractual services	566,314	423,890	(142,424)
Utilities	-	-	-
Other	-	789	789
Total institutional support	659,388	518,566	(140,822)
General Administration			
Salaries	220,434	283,039	62,605
General materials and supplies	7,595	6,106	(1,489)
Employee benefits	32,223	32,160	(63)
Conference and meetings expense	20,801	7,084	(13,717)
Fixed charges	650	-	(650)
Capital outlay	13,425	1,776	(11,649)
Contractual services	3,000	7,547	4,547
Other	1,700	533	(1,167)
Total general administration	299,828	338,245	38,417
Operations & Maintenance			
Salaries	-	-	-
General materials and supplies	-	-	-
Capital outlay	-	-	-
Conference and meetings expense	-	-	-
Debt principal retirement	-	-	-
Other	-	-	-
Total operations & maintenance	-	-	-
Independent Operations			
Salaries	-	-	-
General materials and supplies	-	-	-
Capital outlay	-	-	-
Contractual services	-	-	-
Other	-	-	-
Total independent operations	-	-	-
Total expenditures	\$ 6,199,015	\$ 5,952,102	\$ (246,913)
Other financing sources (uses) of funds:			
Operating transfers in	\$ -	\$ 45,996	\$ 45,996
Operating transfers out	-	-	-
Total other financing sources (uses) of funds	\$ -	\$ 45,996	\$ 45,996

Highland Community College District #519

Special Revenue - Audit Fund

Schedule of Revenues and Expenditures Compared to Budget

For the year ended June 30, 2018

	Budget	Actual	Over (Under) Budget
Revenues			
Local Governmental Sources			
Current taxes	\$ 22,000	\$ 21,956	\$ (44)
Back taxes	22,000	22,082	82
Total revenues	\$ 44,000	\$ 44,038	\$ 38
Expenditures			
Institutional Support			
Audit costs	\$ 46,000	\$ 46,000	\$ -

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, 2018

	Budget	Actual	Over (Under) Budget
Revenues			
Local Governmental Sources			
Current taxes	\$ 517,500	\$ 515,894	\$ (1,606)
Back taxes	475,500	476,570	1,070
Other revenue	-	10,170	10,170
Total revenues	\$ 993,000	\$ 1,002,634	\$ 9,634
Expenditures			
Institutional Support			
Salaries	\$ -	\$ 3,625	\$ 3,625
Employee benefits	260,780	214,984	(45,796)
Contractual services	131,795	114,691	(17,104)
General materials and supplies	11,900	11,151	(749)
Conferences and meetings	13,200	3,410	(9,790)
Fixed charges	214,916	215,440	524
Utilities	6,822	5,372	(1,450)
Capital outlay	-	-	-
Provision for contingency	-	-	-
Total institutional support	639,413	568,673	(70,740)
Operations and Maintenance			
Salaries	285,461	274,149	(11,312)
Employee benefits	86,773	81,335	(5,438)
Contractual services	164,217	161,528	(2,689)
Total operations and maintenance	536,451	517,012	(19,439)
Total expenditures	\$ 1,175,864	\$ 1,085,685	\$ (90,179)

Highland Community College District #519

Special Revenue

Working Cash Fund

Schedule of Revenues and Expenditures Compared to Budget

For the year ended June 30, 2018

	Budget	Actual	Over (Under) Budget
Revenues			
Other Sources			
Interest on investments	\$ 22,000	\$ 114,479	\$ 92,479
Other revenue	-	-	-
Total revenues	\$ 22,000	\$ 114,479	\$ 92,479
Expenditures			
Institutional Support			
Salaries	\$ -	\$ -	\$ -
Employee benefits	-	-	-
Contractual services	-	-	-
General materials and supplies	-	-	-
Conferences and meetings	-	-	-
Fixed charges	6,000	7,986	1,986
Capital outlay	-	-	-
Other	-	-	-
Total institutional support	6,000	7,986	1,986
Total expenditures	\$ 6,000	\$ 7,986	\$ 1,986
Other financing sources of funds:			
Bond proceeds	\$ -	\$ -	\$ -
Premium on debt issued	-	-	-
Operating transfer out	(16,000)	(106,493)	(90,493)
Total other financing sources of funds	\$ (16,000)	\$ (106,493)	\$ (90,493)

Highland Community College District #519

Schedule of Tort Expenditures

For the year ended June 30, 2018

Risk management related salaries and benefits	\$	505,933
Insurance		283,607
Legal services		-
Security and safety related		296,145
<hr/>		
Total tort expenditures	\$	1,085,685
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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, 2018

	Budget	Actual	Over (Under) Budget
Revenues			
Local Governmental Sources			
Current taxes	\$ 341,500	\$ 340,426	\$ (1,074)
Back taxes	400,000	400,935	935
Total local government sources	741,500	741,361	(139)
State Governmental Sources			
Deferred Maintenance Grant	-	-	-
ADA Grant	-	-	-
Total state government sources	-	-	-
Other Sources			
Other gifts/revenue	-	-	-
Interest on investments	-	22,910	22,910
Total other sources	-	22,910	22,910
Total revenues	\$ 741,500	\$ 764,271	\$ 22,771
Expenditures			
Capital Projects			
Contractual services	\$ 125,698	\$ 26,585	\$ (99,113)
General materials & supplies	8,995	40	(8,955)
Capital outlay	1,974,653	545,307	(1,429,346)
Other	-	-	-
Total expenditures	\$ 2,109,346	\$ 571,932	\$ (1,537,414)
Other financing sources (uses)			
Bond proceeds	\$ -	\$ -	\$ -
Capital lease proceeds	-	-	-
Operating transfers out	-	225,000	225,000
Total other financing sources	\$ -	\$ 225,000	\$ 225,000

Highland Community College District #519

Fiduciary Funds

Agency Funds

Schedule of Yearly Activity By Individual Account

For the year ended June 30, 2018

	Balance 6/30/2017	Receipts	Disburse- ments	Equity Transfers In/Out	Balance 6/30/2018
HCC road and parking	\$ 74,197	\$ 15,000	\$ -	\$ -	\$ 89,197
YMCA road and parking	78,780	5,000	-	-	83,780
YMCA building/maintenance	37,132	-	-	-	37,132
HCC building/maintenance	54,222	-	-	-	54,222
YMCA/HCC interest	96,426	549	-	-	96,975
SAVTES road and parking	56,621	-	-	-	56,621
Flex fund	20,570	91,845	89,148	-	23,267
	\$ 417,948	\$ 112,394	\$ 89,148	\$ -	\$ 441,194

ICCB Supplementary Information

Highland Community College District #519

Schedule of Assessed Valuations, Rates, and Taxes Extended

LEVY YEARS 2017, 2016, AND 2015

	2017 Levy	2016 Levy	2015 Levy
Assessed valuation	\$ 1,721,936,668	\$ 1,687,148,342	\$ 1,660,234,440
Tax Rates (per \$100 of assessed valuation)			
Education Fund	0.2800	0.2800	0.2800
Operations, and Maintenance Fund	0.0750	0.0750	0.0750
Insurance	0.0523	0.0489	0.0497
Audit Fund	0.0026	0.0026	0.0027
Protection, Health & Safety	0.0397	0.0474	0.0482
Bond and Interest	0.0993	0.1000	0.1032
Social Security	0.0078	0.0075	0.0076
Total	0.5567	0.5614	0.5664
Taxes Extended			
Education Fund	\$ 4,821,423	\$ 4,724,015	\$ 4,648,656
Operations, and Maintenance Fund	1,291,453	1,265,361	1,245,176
Education and O&M additional	(1,833)	-	(3,100)
Insurance	897,561	824,978	825,124
Audit Fund	43,936	44,034	43,996
Protection, Health & Safety	681,181	800,009	800,067
Bond and Interest	1,712,229	1,685,676	1,720,851
Social Security	134,695	126,017	126,012
Total	\$ 9,580,645	\$ 9,470,090	\$ 9,406,782

Highland Community College District #519

Schedule of Assessed Valuations and Tax Extensions by County

LEVY YEARS 2017, 2016, AND 2015

	2017 Levy	2016 Levy	2015 Levy
<i>Assessed valuations</i>			
Carroll	\$ 261,745,572	\$ 256,871,197	\$ 257,811,203
Jo Daviess	710,933,314	692,607,811	678,284,330
Ogle	128,143,431	123,873,730	119,674,189
Stephenson	621,114,351	613,795,604	604,464,718
Total	<u>\$ 1,721,936,668</u>	<u>\$ 1,687,148,342</u>	<u>\$ 1,660,234,440</u>
<i>Tax extensions</i>			
<u>Educational</u>			
Carroll	\$ 732,888	\$ 719,239	\$ 721,871
Jo Daviess	1,990,613	1,939,302	1,899,196
Ogle	358,802	346,846	335,088
Stephenson	<u>1,739,120</u>	<u>1,718,628</u>	<u>1,692,501</u>
	<u>4,821,423</u>	<u>4,724,015</u>	<u>4,648,656</u>
<u>Operation and Maintenance</u>			
Carroll	196,309	192,653	193,358
Jo Daviess	533,200	519,456	508,713
Ogle	96,108	92,905	89,756
Stephenson	<u>465,836</u>	<u>460,347</u>	<u>453,349</u>
	<u>1,291,453</u>	<u>1,265,361</u>	<u>1,245,176</u>
<u>Insurance</u>			
Carroll	136,814	125,610	128,132
Jo Daviess	370,396	338,685	337,107
Ogle	66,750	60,537	59,466
Stephenson	<u>323,601</u>	<u>300,146</u>	<u>300,419</u>
	<u>897,561</u>	<u>824,978</u>	<u>825,124</u>
<u>Audit</u>			
Carroll	6,701	6,704	6,832
Jo Daviess	18,129	18,077	17,975
Ogle	3,268	3,233	3,171
Stephenson	<u>15,838</u>	<u>16,020</u>	<u>16,018</u>
	<u>43,936</u>	<u>44,034</u>	<u>43,996</u>

Highland Community College District #519

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

LEVY YEARS 2017, 2016, AND 2015

	2017 Levy	2016 Levy	2015 Levy
<i>Tax extensions (continued)</i>			
<u>Protection, Health, & Safety</u>			
Carroll	103,834	121,808	124,239
Jo Daviess	281,103	328,435	326,865
Ogle	50,655	58,704	57,671
Stephenson	245,589	291,062	291,292
	681,181	800,009	800,067
<u>Bond and Interest</u>			
Carroll	259,992	255,664	266,190
Jo Daviess	707,379	692,815	703,856
Ogle	126,849	123,217	123,552
Stephenson	618,009	613,980	627,253
	1,712,229	1,685,676	1,720,851
<u>Social Security</u>			
Carroll	20,521	19,188	19,568
Jo Daviess	55,595	51,738	51,482
Ogle	10,008	9,241	9,083
Stephenson	48,571	45,850	45,879
	134,695	126,017	126,012
<u>Prior Year Adjustment</u>			
Carroll	-	-	-
Jo Daviess	-	-	-
Ogle	(1,833)	-	(3,100)
Stephenson	-	-	-
	(1,833)	-	(3,100)
Total	\$ 9,580,645	\$ 9,470,090	\$ 9,406,782

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Highland Community College District #519

Summary Schedule of Taxes Receivable and Tax Collections

For the year ended June 30, 2018

Year	Levy Valuation	Assessed Rate	Combined Taxes Extended	Total Collected to June 30, 2017
2016	\$ 1,687,148,342	0.5614	\$ 9,470,090	\$ 2,239,249
2017	1,721,936,668	0.5567	9,580,645	-
Total				\$ 2,239,249

2017 Property Taxes Extended

	Uncollected June 30, 2018
Education	\$ 3,773,749
Operations, and Maintenance	1,011,321
Insurance	702,531
Audit	34,385
Protection, Health & Safety	533,165
Bond and Interest	1,334,809
Social Security	105,447
Difference due to estimated equalized assessed value	8,524
Total	\$ 7,503,931

Collected During Year Ended June 30, 2018	Total Collected to June 30, 2018	Percent Collected June 30, 2018	Allowance for Uncollectible Taxes	Balance After Allowance
\$ 7,236,070	\$ 9,475,319	100.06%	\$ -	\$ -
2,076,714	2,076,714	21.68%	-	7,503,931
\$ 9,312,784	\$ 11,552,033	60.64%	\$ -	\$ 7,503,931

Highland Community College District #519

Schedule of Legal Debt Margin

For the year ended June 30, 2018

Assessed valuation - 2016 levy	\$ 1,721,936,668
Debt limit, 2.875% of assessed valuation	\$ 49,505,679
Total long-term debt	6,396,775
Legal debt margin	\$ 43,108,904

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Highland Community College District #519

All Funds Summary

Uniform Financial Statement #1 Fiscal Year ended June 30, 2018

	Education Fund	Operations & Mainten- ance Fund	Operations & Mainten- ance Fund (Restricted)	Bond and Interest Fund
Fund balance, July 1, 2017	\$ 2,873,613	\$ 1,006,190	\$ 1,882,854	\$ 964,572
Revenues				
Local tax revenue	4,911,232	1,505,944	741,361	1,693,821
All other local revenue	-	-	-	-
ICCB grants	1,093,049	162,268	-	-
All other state revenue (including SURS on-behalf)	-	-	-	-
Federal revenue	40,711	-	-	-
Student tuition and fees	5,300,057	-	-	-
All other revenue	1,130,279	70,031	22,910	-
On behalf payments	-	-	-	-
Total revenue	12,475,328	1,738,243	764,271	1,693,821
Expenditures				
Instruction	6,992,703	-	-	-
Academic support	765,604	-	-	-
Student services	1,118,705	-	-	-
Public service	452,793	-	-	-
Organized research	-	-	-	-
Auxiliary services	-	-	-	-
Operations and maintenance	-	1,400,660	443,949	-
Institutional support	2,790,513	-	127,983	1,680,761
Scholarships, grants, waivers	423,387	-	-	-
On behalf payments	-	-	-	-
Total expenditures	12,543,705	1,400,660	571,932	1,680,761
Other financing sources	-	-	-	-
Net transfers	(73,823)	(225,000)	225,000	-
Prior period adjustment	-	-	-	-
Fund balance, June 30, 2018	\$ 2,731,413	\$ 1,118,773	\$ 2,300,193	\$ 977,632

Restricted Purpose Fund	Auxiliary Enterprises Fund	Working Cash Fund	Audit Fund	Liability, Protection, and Settlement Fund	Total
\$ 901,263	\$ 2,694	\$ 10,338,285	\$ 13,048	\$ 386,030	\$ 18,368,549
-	-	-	44,038	992,464	9,888,860
-	-	-	-	-	-
353,523	-	-	-	-	1,608,840
5,688,877	-	-	-	-	5,688,877
4,591,391	-	-	-	-	4,632,102
528,995	292,427	-	-	-	6,121,479
547,282	1,047,291	114,479	-	10,170	2,942,442
-	-	-	-	-	-
11,710,068	1,339,718	114,479	44,038	1,002,634	30,882,600
3,506,382	-	-	-	-	10,499,085
308,152	-	-	-	-	1,073,756
1,037,626	-	-	-	-	2,156,331
454,367	-	-	-	-	907,160
-	-	-	-	-	-
-	1,413,534	-	-	-	1,413,534
507,944	-	-	-	517,012	2,869,565
1,707,467	-	7,986	46,000	568,673	6,929,383
4,073,981	-	-	-	-	4,497,368
-	-	-	-	-	-
11,595,919	1,413,534	7,986	46,000	1,085,685	30,346,182
-	-	-	-	-	-
45,996	134,320	(106,493)	-	-	-
-	-	-	-	-	-
\$ 1,061,408	\$ 63,198	\$ 10,338,285	\$ 11,086	\$ 302,979	\$ 18,904,967

Highland Community College District #519

All Funds Summary (Continued)

Uniform Financial Statement #1

Fiscal Year ended June 30, 2018

	Total
Fund balance, July 1, 2017	\$ 18,368,549
Revenues	
Local tax revenue	9,888,860
All other local revenue	-
ICCB grants	1,608,840
All other state revenue	5,688,877
Federal revenue	4,632,102
Student tuition and fees	6,121,479
All other revenue	2,942,442
Total revenue	30,882,600
Expenditures	
Instruction	10,499,085
Academic support	1,073,756
Student services	2,156,331
Public service	907,160
Organized research	-
Auxiliary services	1,413,534
Operations and maintenance	2,869,565
Institutional support	6,929,383
Scholarships, grants, waivers	4,497,368
Total expenditures	30,346,182
Other financing sources, bond proceeds	-
Net transfers	-
Fund balance, June 30, 2018	\$ 18,904,967

Highland Community College District #519

Summary of Fixed Assets and Debt Uniform Financial Statement #2

Fiscal Year ended June 30, 2018

	Fixed Asset/Debt Account Groups June 30, 2017	Additions	Deletions	Fixed Asset/Debt Account Groups June 30, 2018
Fixed Assets				
Sites and improvements	\$ 4,088,411	\$ 25,899	\$ 750,589	\$ 3,363,721
Construction in process	-	-	-	-
Buildings, additions and improvements	26,078,989	73,715	30,182	26,122,522
Equipment	2,804,879	198,780	230,226	2,773,433
Technology	2,853,300	422,446	324,208	2,951,538
Total fixed assets	35,825,579	720,840	1,335,205	35,211,214
Accumulated depreciation	17,759,183	1,793,207	1,263,583	18,288,807
Net fixed assets	\$ 18,066,396	\$ (1,072,367)	\$ 71,622	\$ 16,922,407

Debts

Bonds Payable	\$ 5,435,000	\$ -	\$ 1,550,000	\$ 3,885,000
Debt certificates	2,825,000	-	380,000	2,445,000
Accrued compensated absences	125,932	14,897	-	140,829
Capital lease payable	102,499	-	35,724	66,775
Unamortized premium on bonds	143,575	-	65,917	77,658
OPEB CIP liability	8,995,434	208,862	-	9,204,296
Total fixed liabilities	\$ 17,627,440	\$ 223,759	\$ 2,031,641	\$ 15,819,558

Highland Community College District #519

Operating Funds Revenues and Expenditures Uniform Financial Statement #3

Fiscal Year ended June 30, 2018

Operating Revenues by Source

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Local Government Revenue			
Local taxes	\$ 4,778,682	\$ 1,280,251	\$ 6,058,933
CPPRT	132,550	225,693	358,243
Total local government	4,911,232	1,505,944	6,417,176
State Government			
ICCB base operating grant	922,082	162,268	1,084,350
ICCB equalization grants	50,000	-	50,000
ICCB - Career and Technical Education	112,167	-	112,167
Other ICCB grants not listed above	8,800	-	-
Other State not listed above	-	-	-
Total state government	1,093,049	162,268	1,246,517
Federal Government			
Dept. of Education	40,711	-	40,711
Dept. of Labor	-	-	-
Other	-	-	-
Total federal government	40,711	-	40,711
Student Tuition & Fees			
Tuition	4,772,543	-	4,772,543
Fees	527,514	-	527,514
Total tuition & fees	5,300,057	-	5,300,057
Other Sources			
Sales and service fees	52,893	-	52,893
Facilities revenue	23,033	67,327	90,360
Investment revenue	36,596	-	36,596
Non-governmental grants	960,411	-	960,411
Other	57,346	2,704	60,050
Total other revenue	1,130,279	70,031	1,200,310
Total revenue	\$ 12,475,328	\$ 1,738,243	\$ 14,204,771

Highland Community College District #519

Operating Funds Revenues and Expenditures Uniform Financial Statement #3

Fiscal Year ended June 30, 2018

Operating Expenditures

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
By Program			
Instruction	\$ 9,666,872	\$ -	\$ 9,666,872
Academic support	1,024,394	-	1,024,394
Student services	1,593,154	-	1,593,154
Public service	754,715	-	754,715
Operations and Maintenance	-	1,908,604	1,908,604
Institutional support	3,394,358	-	3,394,358
Scholarships, grants, waivers	423,387	-	423,387
Transfers and other	-	-	-
Total expenditures	16,856,880	1,908,604	18,765,484
Less non-operating items*:			
Tuition chargeback	-	-	-
Transfers to Non-operating funds	(73,823)	(225,000)	(298,823)
Adjusted expenditures	\$ 16,783,057	\$ 1,683,604	\$ 18,466,661
By Object			
Salaries	\$ 7,993,527	\$ 575,035	\$ 8,568,562
Employee benefits	6,232,946	726,888	6,959,834
Contractual services	613,531	90,512	704,043
General materials and supplies	600,234	114,977	715,211
Library materials **	68,997	-	68,997
Conference and meeting expenses	192,391	225	192,616
Fixed charges	491,776	-	491,776
Utilities	20,130	605,281	625,411
Capital outlay	82,895	3,654	86,549
Student grants and scholarships**	426,387	-	426,387
Transfers and other	-	-	-
Other	629,450	(207,968)	421,482
Total expenditures	16,856,880	1,908,604	18,765,484
Less non-operating items*:			
Tuition chargeback	-	-	-
Transfers to non-operating funds	(73,823)	(225,000)	(298,823)
Adjusted expenditures	\$ 16,783,057	\$ 1,683,604	\$ 18,466,661

* 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, 2018

Revenues by Source

	Restricted Purposes Fund
State Government	
ICCB - Adult Education	\$ 246,796
ICCB - Other **	106,727
Dept. of Corrections	-
SURS - On behalf	5,643,817
Other ***	45,060
Total state government	6,042,400
Federal Government	
Dept. of Education	4,546,661
Department of Labor	-
Other	44,730
Total federal government	4,591,391
Other Sources	
Tuition and fees	528,995
Other	547,282
Total other sources	1,076,277
Total restricted purposes fund revenues	\$ 11,710,068

Expenditures by Program

Instruction	\$ 3,506,382
Academic support	308,152
Student services	1,037,626
Public service/continuing education	454,367
Organized research	-
Auxiliary services	-
Operations and maintenance	507,944
Institutional support	1,707,467
Scholarships, grants and waivers	4,073,981
Total restricted purposes fund expenditures	\$ 11,595,919

Highland Community College District #519

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

Fiscal Year ended June 30, 2018

Expenditures by Object

	Restricted Purposes Fund
Salaries	\$ 934,036
Employee benefits (Including SURS On-Behalf)	5,818,867
Contractual services	467,059
Student financial aid	4,074,122
General materials and supplies	84,468
Library materials*	-
Conference and meeting expenses	78,757
Fixed charges	22,296
Utilities	4,152
Capital outlay	58,549
Other	53,613
Student grants and scholarships*	-
Total restricted purposes fund expenditures	\$ 11,595,919

* Non-add line

State Government Detail

** ICCB other	Workforce Preparation Grant	\$ 106,727
	ICCB Student Success Grant	-
Total state sources other		\$ 106,727
*** State sources other	Literacy Sec of State	\$ -
	RSVP Department of Aging	45,060
	Gateways Professional Development System	-
Total state sources other		\$ 45,060

Highland Community College District #519

Current Funds - Expenditures by Activity Uniform Financial Statement #5

Fiscal Year ended June 30, 2018

Instruction

Instructional programs	\$ 7,388,886
Other	3,110,199

Total academic support	10,499,085
------------------------	------------

Academic Support

Library Center	305,038
Instructional Materials Center	89,765
Educational Media Services	286,059
Academic Computing Support	84,741
Other	308,153

Total academic support	1,073,756
------------------------	-----------

Student Services Support

Admissions and records	285,490
Counseling and career services	536,769
Financial aid administration	382,754
Other	951,318

Total student services support	2,156,331
--------------------------------	-----------

Public Service/Continuing Education

Community education	215,869
Customized training (instructional)	24
Community services	389,345
Other	301,922

Total public service/continuing education	907,160
---	---------

Auxiliary Services

1,413,534

Operations and Maintenance of Plant

Maintenance	48,238
Custodial services	506,289
Grounds	111,915
Campus security	517,012
Transportation	32,867
Utilities	605,104
Administration	96,247
Other	507,944

Total operations and maintenance of plant	2,425,616
---	-----------

Highland Community College District #519

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

For the year ended June 30, 2018

Institutional Support

Executive management	309,840
Fiscal operations	687,517
Community relations	259,450
Administrative support services	462,653
Board of trustees	146,254
General institutions	1,288,099
Institutional research	160,123
Administrative data processing	948,523
Other	850,194

Total institutional support	5,112,653
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Scholarships, Student Grants & Waivers	4,497,368
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Total current funds expenditures	\$ 28,085,503
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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 2019

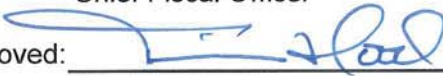
For the year ended June 30, 2018

All Fiscal Year 2018 Noncapital Audited Operating Expenditures from the Following Funds:

1. Education Fund	\$ 12,457,923
2. Operations and Maintenance Fund	1,397,006
3. Public Building Commission Operation and Maintenance Fund	-
4. Bond and Interest Fund	700,761
5. Public Building Commission Rental Fund	-
6. Restricted Purposes Fund	4,673,031
7. Audit Fund	46,000
8. Liability, Protection, and Settlement Fund	1,085,685
9. Auxiliary Enterprises Fund (subsidy only)	-
10. Total non-capital audited expenditures	20,360,406
11. Depreciation on capital outlay expenditures (equipment, buildings, and fixed equipment paid) from sources other than state and federal funds	1,235,780
12. TOTAL COSTS INCLUDED	\$ 21,596,186
13. Total certified semester credit hours for FY 2018	34,509.00
14. PER CAPITA COST	\$ 625.81
15. All FY 2018 state and federal operating grants for noncapital expenditures, except ICCB grants	\$ 4,119,816
16. FY 2018 state and federal grants per semester credit hour	119.38
17. District's average ICCB grant rate (excluding equalization grants) for FY 2019	32.51
18. District's student tuition and fee rate per semester credit hour for FY 2019	141.00
19. Chargeback reimbursement per semester credit hour	\$ 332.92

Approved: 
Chief Fiscal Officer

10/5/18
Date

Approved: 
President

10/9/18
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, 2018, 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, 2018, 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

Rockford, Illinois
October 10, 2018

Highland Community College District #519

Career and Technical Education-Program Improvement Balance Sheet

For the year ended June 30, 2018

Assets

Cash	\$	-
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Liabilities and Fund Balance

Accounts payable	\$	-
Cash overdraft		-

Fund balance - unreserved		-
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Total liabilities and fund balance	\$	-
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Highland Community College District #519

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

For the year ended June 30, 2018

	Actual
Revenue	
State sources	\$ 12,463
Expenditures	
Current year's grant	
Contractual services	-
Materials and supplies	12,463
Conference and meeting expenses	-
Other expenditures	-
Total expenditures	12,463
Excess (shortage) of revenue over (under) expenditures	-
Transfer in (out) from (to) other funds	-
Fund balance, beginning	-
Fund balance, ending	\$ -

Highland Community College District #519

State Adult Education and Family Literacy Restricted Funds Balance Sheet

June 30, 2018

	State Basic	Public Assistance	Performance	Total (Memorandum Only)
Assets				
Cash	\$ -	\$ 104	\$ -	\$ 104
Accounts receivable	27,211	-	10,039	37,250
Total assets	\$ 27,211	\$ 104	\$ 10,039	\$ 37,354
Liabilities and Fund Balance				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Cash overdraft	27,211	-	10,039	37,250
Accrued expenses	-	104	-	104
Deferred revenue	-	-	-	-
Total liabilities	27,211	104	10,039	37,354
Fund balance	-	-	-	-
Total liabilities and fund balance	\$ 27,211	\$ 104	\$ 10,039	\$ 37,354

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, 2018

	Actual			
	State Basic	Public Assistance	Performance	Total
Revenue				
State sources	\$ 180,710	\$ -	\$ 66,085	\$ 246,795
Expenditures				
Instruction	71,461	-	-	71,461
Social work services	35,010	-	9,125	44,135
Student transportation services	-	-	-	-
Literacy Services	15,204	-	-	15,204
Guidance services	10,953	-	6,048	17,001
Assessment & Testing	16,521	-	7,557	24,078
Child Care Services	-	-	-	-
Improvement of instructional services	4,770	-	1,387	6,157
General administration	21,580	-	23,648	45,228
Operation & maintenance of plant services	-	-	-	-
Workforce coordination	103	-	8,977	9,080
Data & information services	5,108	-	9,343	14,451
Total expenditures	180,710	-	66,085	246,795
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, 2018

State Basic	Audited Expenditure Amount	Actual Expenditure Percentage
Instruction (45% Minimum Required)	149,149	82.54%
General Administration (15% Maximum Allowed)	21,580	11.94%

State Public Assistance	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

Note 1 Summary of Significant Accounting Policies

a. General

The preceding statements (pages 98 - 102) 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, 2018. Funds obligated for goods prior to June 30 for which the goods are received prior to August 31, 2018 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, 2018. 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, 2018, 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, 2018, and our report thereon dated October 10, 2018, expressed as an unmodified opinion on those financial statements.

Wipfli LLP

Rockford, Illinois
October 10, 2018



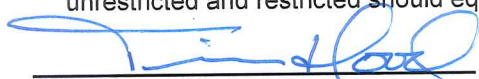
Highland Community College District #519

Schedule of Enrollment Data and Other Bases
Upon Which Claims are Filed
For the year ended June 30, 2018

	Total Semester Credit Hours by Term (In-District and Out of District Reimbursable)*						
Categories	Summer		Fall		Spring		Total
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	
Baccalaureate	1,593.0	-	9,877.0	-	9,847.0	-	21,317.0
Business Occupational	102.0	-	784.0	-	868.0	-	1,754.0
Technical Occupational	250.0	18.0	1,764.0	-	2,227.0	-	4,259.0
Health Occupational	393.0	-	1,612.0	-	2,003.0	-	4,008.0
Remedial Developmental	116.0	30.0	1,458.0	98.0	953.0	58.0	2,713.0
Adult Basic Education/Adult Secondary Education	-	-	-	218.0	-	240.0	458.0
Total credit hours certified	<u>2,454.0</u>	<u>48.0</u>	<u>15,495.0</u>	<u>316.0</u>	<u>15,898.0</u>	<u>298.0</u>	<u>34,509.0</u>
	Attending In-District			Attending Out-of-District on Chargeback or Contractual Agreement			Total
Semester Credit Hours	<u>29,252.0</u>			<u>397.0</u>			<u>29,649.0</u>
Reimbursable Semester Credit Hours (All Terms)			<u>Dual Credit</u> <u>4,415.0</u>		<u>Dual Enrollment</u> <u>577.0</u>		
District 2017 Equalized Assessed Valuation							\$ 1,721,936,668

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

See Notes to Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed.

Highland Community College District #519

Reconciliation of Total Semester Credit Hours

For the year ended June 30, 2018

Categories	Total Reimbursable Semester Credit Hours					
	Total Reported in Audit Unrestricted Hours	Total Certified to ICCB Unrestricted Hours	Difference	Total Reported in Audit Restricted Hours	Total Certified to ICCB Restricted Hours	Difference
Baccalaureate	21,317.0	21,317.0	-	-	-	-
Business Occupational	1,754.0	1,754.0	-	-	-	-
Technical Occupational	4,241.0	4,241.0	-	18.0	18.0	-
Health Occupational	4,008.0	4,008.0	-	-	-	-
Remedial Developmental	2,527.0	2,527.0	-	186.0	186.0	-
Adult Basic Education/Adult Secondary Education	-	-	-	458.0	458.0	-
Total	33,847.00	33,847.00	-	662.00	662.00	-
Reconciliation of In-District/Chargeback Agreement Credit Hours						
	Total Reported in Audit Unrestricted Hours	Total Certified to ICCB Unrestricted Hours	Difference	Total Reported in Audit Restricted Hours	Total Certified to ICCB Restricted Hours	Difference
In-District Credit Hours:	28,612.0	28,612.0	-	640.0	640.0	-
Dual Credit Hours:	4,415.0	4,415.0	-	-	-	-
Dual Enrollment Hours:	577.0	577.0	-	-	-	-

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

See Notes to Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed.

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

Unrestricted Grants

Base Operating Grants

General operating funds provided to colleges based upon credit enrollment.

Small College Grants

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

Equalization Grants

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

Restricted Grants/Special Initiatives

Career and Technical Education-Program Improvement Grants

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

Statewide Initiatives

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

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

Highland Community College District #519

Background Information on State Grant Activity (Continued)

Restricted Grants/State

State Basic

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

Public Assistance

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

Performance

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

Annual Federal Financial Compliance Section

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

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, 2018 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 10, 2018. 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

Rockford, Illinois
October 10, 2018



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, 2018. 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, 2018.

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.

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

Rockford, Illinois
October 10, 2018

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 18 **	84.007	P007A161164	\$ 34,559	\$ 0
Federal Work Study Program FY 17 **	84.033	P033A161164	83,945	0
Pell Grant Program FY 18 **	84.063	P063P161346	2,819,836	0
Pell Grant Program Administrative Allowance FY 18 **	84.063	P063P161346	4,295	0
Federal Direct Student Loans**	84.268	P268K171346	<u>1,220,522</u>	<u>0</u>
Total Student Financial Aid cluster			<u>4,163,157</u>	<u>0</u>
Title IV Grant 2018, Student Support Services	84.042A	P042A100463-15	195,144	0
Title IV Grant 2017, Student Support Services	84.042A	P042A111100	52,400	0
Title IV Grant 2018, Upward Bound	84.047	P042A111100	<u>135,933</u>	<u>0</u>
Total Trio Grant cluster			<u>383,477</u>	<u>0</u>
Passed through the Illinois Community College Board:				
Innovation Grant	84.048	9519	-	0
CTE Perkins Postsecondary	84.048A	CTE51914	94,264	0
Federal Basic	84.002A	51-901	-	0
EI/Civics	84.002A	51-901	<u>-</u>	<u>0</u>
Total passed through ICCB			<u>94,264</u>	<u>0</u>
Total U.S. Department of Education			<u>4,640,898</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 & Human Services:</u>				
Direct Program - Retired Senior Volunteer Program (RSVP)	94.002	13SRNIL009	<u>44,730</u>	<u>0</u>
Total Activity of Federal Awards			<u>\$4,685,628</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

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, 2018. 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, 2018.

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 Nonmonetary Assistance

For the year ended June 30, 2018, the District received no federal funds in the form of nonmonetary assistance.

Note 5 Other Federal Award Information

The District has no loans or loan guarantees at fiscal year end June 30, 2018.

Highland Community College District #519

Schedule of Findings and Questioned Costs

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

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

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 X No

Identification of Major Programs

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

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

Auditee qualified as low risk auditee? X Yes No

Highland Community College District #519

Schedule of Findings and Questioned Costs (Continued)

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

A. Significant Deficiencies in Internal Control

None

B. Compliance Findings

None

III. Findings and Questioned Costs for Federal Awards

A. Significant Deficiencies in Administering Federal Awards

None

B. Compliance Findings

None



HIGHLAND COMMUNITY COLLEGE

Highland Community College District #519

Corrective Action Plan

Current Number	Comment	Corrective Action Plan	Completion	Person
None				

Highland Community College District #519

Summary Schedule of Prior Year Audit Findings

June 30, 2017

Section II Financial Statement Finding

None

Section III Findings and Questioned Costs for Federal Awards

None

June 30, 2016

Section II Financial Statement Finding

None

Section III Findings and Questioned Costs for Federal Awards

None

Highland Community College District #519

Auditor's Information

Freeport, Illinois

Lead Auditor: Matthew J. Schueler
Wipfli LLP

Tel. No.: (815) 233-1512

The audit was performed between June 29, 2018 and October 10, 2018 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 29, 2018 - October 10, 2018

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.