

Sauk Valley Community College District 506

Financial Report
June 30, 2013

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Independent Auditor's Report

To the Board of Trustees
Sauk Valley Community College District 506
Dixon, 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 Sauk Valley Community College District 506 (the College) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Sauk Valley College Foundation, the College's discretely presented component unit, 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 have 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 Sauk Valley Community College District 506 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying supplementary information, as listed in the table of contents and the Uniform Financial Statements and Certificate of Chargeback Reimbursement, as required by the Illinois Community Colleges Board are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information as listed in the table of contents, the Uniform Financial Statements, and the Certificate of Chargeback Reimbursement are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information as listed in the table of contents, the Uniform Financial Statements, and the Certificate of Chargeback Reimbursement are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2013 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 College's internal control over financial reporting and compliance.



Rockford, Illinois
October 9, 2013

Sauk Valley Community College District 506 Management's Discussion and Analysis

Year Ended June 30, 2013

Using This Annual Report

As the management of Sauk Valley Community College (the College), we offer the readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the year ended June 30, 2013.

The MD&A provides an overview of the College's financial position at June 30, 2013 and the results of operations for the year. This summary should not be taken as a replacement for the audit report, which consists of the financial statements, notes to the financial statements, required and other supplementary information.

The financial statements, as presented under the reporting model established by GASB Statement No. 35, focus on the College as a whole. The basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The Statement of Net Position focuses on the financial condition of the College. This statement combines and consolidates current financial resources (short-term expendable resources) with capital assets. The Statement of Revenues, Expenses, and Changes in Net Position focuses on both the gross costs and the net costs of College activities, which are supported mainly by property taxes and by state and other revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public.

The remainder of the MD&A highlights the structure and contents of the primary government's financial statements.

Financial Highlights

The College is one of 39 community college districts in the State of Illinois. It is located in the northwest corner of the state. The communities it serves are predominantly rural, with agriculture prominent in the region.

The College district encompasses 1,466 square miles and includes portions of six counties: Bureau, Carroll, Henry, Lee, Ogle and Whiteside. The district has a population of just over 100,000, with the majority of that population concentrated in and near the towns of Dixon, Sterling, and Rock Falls.

Financial highlights for the College included the following for the year ended June 30, 2013:

The College paid down \$1,655,000 of long-term debt during the year.

The College had approximately \$800,000 of State funding in arrears at June 30, 2013.

Net position increased during FY2013 by approximately \$780,000.

During FY2013, the College's enrollment in credit hours decreased about 2%.

**Sauk Valley Community College District 506
Management's Discussion and Analysis**

Year Ended June 30, 2013

Components of Financial Statements

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the College's financial activities.

The basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows. These provide information about the activities of the College as a whole and present an overall view of the College's finances. Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Reporting on the College's Financial Activities

Statement of Net Position: The statement of net position presents the assets, liabilities and net position of the College as a whole as of the end of the fiscal year. The statement of net position is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the College to the readers of the financial statements. The statement of net position includes year-end information concerning current and noncurrent assets, current and noncurrent liabilities and net position (assets less liabilities). Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net position. This statement is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

The College's financial position is summarized as follows for the years ended June 30, 2013 and 2012:

Financial Analysis of the College as a Whole

Net Position

	2013	2012	Increase (Decrease)	Percent Change
Current assets	\$ 22,484,163	\$ 27,364,896	\$ (4,880,733)	-17.8%
Noncurrent assets				
Capital assets, net	20,423,058	17,996,776	2,426,282	13.5%
Other	4,634,482	3,807,420	827,062	21.7%
Total assets	<u>47,541,703</u>	<u>49,169,092</u>	<u>(1,627,389)</u>	<u>-3.3%</u>
Current liabilities	7,086,384	7,751,247	(664,863)	-8.6%
Noncurrent liabilities	2,456,489	4,197,234	(1,740,745)	-41.5%
Total liabilities	<u>9,542,873</u>	<u>11,948,481</u>	<u>(2,405,608)</u>	<u>-20.1%</u>
Net position:				
Net investment in capital assets	16,333,058	12,251,776	4,081,282	33.3%
Restricted	13,292,062	17,847,786	(4,555,724)	-25.5%
Unrestricted	8,373,710	7,121,049	1,252,661	17.6%
Total net position	<u>\$ 37,998,830</u>	<u>\$ 37,220,611</u>	<u>\$ 778,219</u>	<u>2.1%</u>

The College's total net position at June 30, 2013 increased \$778,219, an increase of approximately 2.1%.

**Sauk Valley Community College District 506
Management's Discussion and Analysis**

Year Ended June 30, 2013

In fiscal year 2013, the College's total assets decreased \$1,627,389. Current assets decreased \$4,880,733. This decrease is due primarily to a decrease in cash and investments due to payment for building renovation and equipment purchases and only an operating fund gain of approximately \$297,000. Noncurrent assets increased \$3,253,344 primarily due to expenditures to renovate the east end science lab, finish the tech wing remodel, roof replacement and window replacements.

Total liabilities decreased \$2,405,608. Current liabilities decreased \$664,863 due to transferring Foundation funds back to the Foundation and for renovation of the east end of the science lab wing. Noncurrent liabilities decreased \$1,740,745 due to the annual repayment of the general obligation bonds.

In fiscal year 2013, the College's total net position increased \$778,219. Restricted net position decreased \$4,555,724 primarily due to expenditures to renovate the science labs. Net investment in capital assets increased by \$4,081,282 due to the renovation of the science labs and the annual payment of the general obligation bond.

**Sauk Valley Community College District 506
Management's Discussion and Analysis**

Year Ended June 30, 2013

Revenues and expenses for the years ended June 30, 2013 and 2012 are as follows:

	2013	2012	Increase (Decrease)	Percent Change
Operating Revenues				
Tuition and fees	\$ 2,843,268	\$ 2,896,932	\$ (53,664)	-1.9%
Auxiliary	284,934	261,694	23,240	8.9%
Nonoperating Revenues				
State sources	6,509,319	6,139,209	370,110	6.0%
Federal sources	5,666,810	5,782,264	(115,454)	-2.0%
Local property tax	6,988,233	6,918,325	69,908	1.0%
Interest income	166,378	243,380	(77,002)	-31.6%
Other	219,537	260,926	(41,389)	-15.9%
Total revenues	22,678,479	22,502,730	175,749	0.8%
Expenses				
Instruction	7,888,461	6,746,503	1,141,958	16.9%
Academic support	1,290,160	1,223,229	66,931	5.5%
Student services	1,761,922	1,667,797	94,125	5.6%
Public services	650,028	716,950	(66,922)	-9.3%
Independent operations	131,079	182,677	(51,598)	-28.2%
Operations and maintenance	1,748,739	1,703,844	44,895	2.6%
Institutional support	3,544,245	3,250,139	294,106	9.0%
Scholarships, grants and waivers	3,807,860	3,779,464	28,396	0.8%
Depreciation	726,934	652,932	74,002	11.3%
Interest	113,194	138,607	(25,413)	-18.3%
Other	237,637	81,503	156,134	191.6%
Total expenses	21,900,260	20,143,645	1,756,615	8.7%
Change in net position	778,219	2,359,085	(1,580,866)	-67.0%
Net position, beginning of year	37,220,611	34,861,526	2,359,085	6.8%
Net position, end of year	\$ 37,998,830	\$ 37,220,611	\$ 778,219	2.1%

At June 30, 2013, net position increased \$778,219. Compared to fiscal year 2012, revenues increased \$175,749 and expenses increased \$1,756,615.

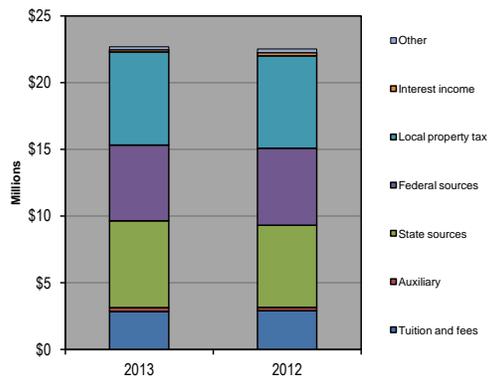
Operating revenue decreased over fiscal year 2012 due to enrollment declines. Non-operating federal revenue decreased over fiscal year 2012 primarily due to decreased student financial aid which resulted from stricter guidelines. State funding increased due to an increase in the State's on behalf contribution to the State University Retirement System. Local property tax increased due to an EAV gain in farm land. Investment income decreased due to the poor interest rates. Expenses increased \$1,756,615. This was due to an increase in the State's on behalf contribution to the State University Retirement System and an increase in state mandated waivers.

**Sauk Valley Community College District 506
Management's Discussion and Analysis**

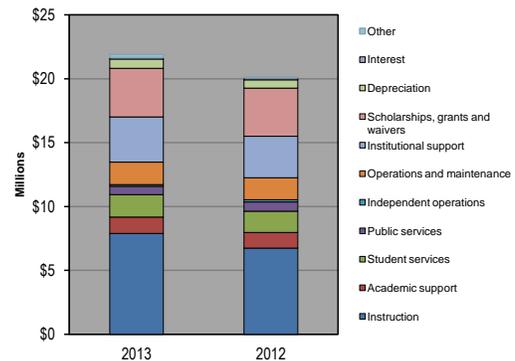
Year Ended June 30, 2013

The following graphs depict revenues and expenses for the years ended June 30, 2013 and 2012:

Total Revenues by Source



Total Expenses by Source



Capital Assets

At June 30, 2013, the College had approximately \$32,731,300 invested in land, buildings, land improvements, and equipment. In addition, approximately \$12,308,200 in depreciation has accumulated over the years, with approximately \$748,600 being incurred in the current year. The College's net book value of capital assets at June 30, 2013 is approximately \$20,423,000.

Total additions for the year were approximately \$3,176,000. Most of the additions during the year were financed through either funding bonds or grants.

The College has committed approximately \$1,073,000 for use as local match on a State-funded project to renovate the west end of the third floor science labs. The money is being held in a reserved account in the Operations and Maintenance (Restricted) Fund.

See Note 3 to the financial statements for additional information regarding capital assets.

Long-Term Debt Activity

At June 30, 2013, the College had \$4,090,000 in general long-term debt for Series 2010 bonds. Repayments of this debt, including interest, will be approximately \$1,810,600 for fiscal year 2014.

The College's most recent Standard & Poor's bond rating (2010) was "AA-". State statutes limit the amount of debt that a school district may issue. The current debt limit for the College is approximately \$41,450,000 under that statutory limit.

See Note 4 to the financial statements for additional information relating to the College's long-term debt activity.

**Sauk Valley Community College District 506
Management's Discussion and Analysis**

Year Ended June 30, 2013

Factors Impacting the College's Future

For fiscal year 2014, the College is expecting a decrease in enrollment as the economy strengthens and the area population shrinks. Property tax revenue will increase approximately 2% due to the strong agriculture industry in the College district. The State of Illinois funding will be reduced approximately 5% from the previous year. The State continues to be slow in paying and the College is anticipating a \$1,000,000 deferment in state payments at the end of FY2014.

In fiscal year 2014, the College will finish construction to upgrade the east end of the science labs. In addition to this project, the master plan calls for renovation of the remaining science labs and certain community services areas over the next five years. Expected costs are approximately \$9,000,000 and financing for these projects is from funding bonds, Protection, Health and Safety tax levies, prior fund surpluses and state capital project funds.

Requests for Information

This financial report is designed to provide a general overview of Sauk Valley Community College's finances for all those with interest in the topic. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to:

Director of Business Services
Sauk Valley Community College
173 Illinois Rte. 2
Dixon, IL 61021
Phone number (815) 288-5511

Sauk Valley Community College District 506

Statement of Net Position
June 30, 2013

	Primary Institution	Component Unit
	Business-Type Activities	Foundation
Assets		
Current assets		
Cash and cash equivalents	\$ 715,539	\$ 1,716,261
Investments	6,328,739	605,988
Receivables		
Property taxes	5,226,035	-
Other receivables	156,172	-
Accrued government claims and grants	1,099,647	-
Accrued interest	25,443	803
Inventories	4,393	-
Prepaid expenses	277,648	-
Restricted cash and cash equivalents	5,643,917	-
Restricted investments	3,006,630	-
Total current assets	22,484,163	2,323,052
Noncurrent assets		
Restricted investments	4,606,372	-
Depreciable capital assets, net of accumulated depreciation	19,630,936	-
Nondepreciable capital assets	792,122	-
Debt issuance cost, net of amortization of \$14,055	28,110	-
Total noncurrent assets	25,057,540	-
Total assets	\$ 47,541,703	\$ 2,323,052
Liabilities		
Current liabilities		
Accounts payable	\$ 550,877	\$ 17,829
Interest payable	44,025	-
Accrued expenses	562,061	-
Unearned revenue	4,181,030	-
Due to student organizations	43,391	-
Current maturities of general obligation bonds payable	1,705,000	-
Total current liabilities	7,086,384	17,829
Long-term debt		
Bonds payable, less current maturities	2,385,000	-
Plus: Unamortized premiums	71,489	-
Net long-term debt	2,456,489	-
Total liabilities	9,542,873	17,829
Net Position		
Net investment in capital assets	16,333,058	-
Restricted for:		
Nonexpendable, scholarships	-	1,546,355
Expendable		
Scholarships and grants	1,232,099	756,089
Capital projects	3,566,364	-
Debt service	1,058,555	-
Liability protection settlement	4,970,112	-
Other	2,464,932	-
Unrestricted	8,373,710	2,779
Total net position	37,998,830	2,305,223
Total liabilities and net position	\$ 47,541,703	\$ 2,323,052

See Notes to Financial Statements.

Sauk Valley Community College District 506

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2013

	Primary Institution	Component Unit
	Business-Type Activities	Foundation
Revenues		
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$2,577,712	\$ 2,843,268	\$ -
Auxiliary enterprises revenue	284,934	-
Contributions	-	1,241,073
Other	-	1,395
Total operating revenues	3,128,202	1,242,468
Expenses		
Operating expenditures:		
Instruction	7,888,461	-
Academic support	1,290,160	-
Student services and aids	1,761,922	-
Public services	650,028	-
Independent operations	131,079	-
Operations and maintenance of plant	1,748,739	-
Institutional support	3,544,245	119,587
Scholarships, student grants, and waivers	3,807,860	361,198
Depreciation and amortization	726,934	-
Total operating expenditures	21,549,428	480,785
Operating income (loss)	(18,421,226)	761,683
Nonoperating revenues (expenses)		
Local property taxes	6,988,233	-
State sources	6,509,319	-
Federal sources	5,666,810	-
Interest income	166,378	31,907
Net unrealized gain (loss) on investments	(237,637)	108,419
Interest expense	(113,194)	-
Loss on loan guarantee	-	(600,000)
Other sources	219,537	-
Nonoperating revenues (expenses), net	19,199,446	(459,674)
Change in net position	778,219	302,009
Net position, beginning of year	37,220,611	2,003,214
Net position, end of year	\$ 37,998,830	\$ 2,305,223

See Notes to Financial Statements.

Sauk Valley Community College District 506

Statement of Cash Flows
Year Ended June 30, 2013

	Primary Institution Business-Type Activities
Cash Flows From Operating Activities	
Cash received from tuition and fees	\$ 2,802,876
Cash received from auxiliary enterprises, rent and other revenue	284,934
Cash paid to suppliers	(7,669,281)
Cash paid to employees	(13,521,191)
Net cash used in operating activities	(18,102,662)
Cash Flows From Noncapital Financing Activities	
Cash received from local property taxes	6,677,596
Cash received from state appropriations	6,645,746
Cash received from federal sources	5,694,495
Cash received from other sources	209,117
Net cash provided by noncapital financing activities	19,226,954
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	(3,397,768)
Repayment of bonds	(1,655,000)
Interest paid on bonds	(124,218)
Net cash used in capital and related financing activities	(5,176,986)
Cash Flows From Investing Activities	
Interest received	181,339
Investment purchases	(6,220,689)
Investment maturities	9,356,626
Change in investment value	(239,033)
Net cash provided by investing activities	3,078,243
Net decrease in cash	(974,451)
Cash and equivalents, beginning of year	7,333,907
Cash and equivalents, end of year	\$ 6,359,456
Cash and cash equivalents	\$ 715,539
Restricted cash and cash equivalents	5,643,917
	\$ 6,359,456

(continued)

Sauk Valley Community College District 506

Statement of Cash Flows (Continued)
Year Ended June 30, 2013

	<u>Primary Institution</u>
	<u>Business-Type Activities</u>
<hr/>	
Reconciliation of net operating loss to net cash used in operating activities:	
Operating loss	\$ (18,421,226)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	748,627
Amortization of bond premium/bond costs	(21,691)
Changes in operating assets and liabilities:	
Inventories	(1,004)
Prepaid expenses	98,058
Accounts payable	(390,736)
Accrued expenses	(79,027)
Due to student organizations	3,212
Loss on disposal of assets	1,517
Unearned revenue - tuition and fees	(40,392)
	<hr/>
Net cash used in operating activities	<u><u>\$ (18,102,662)</u></u>
Supplemental Schedule of Noncash Investing and Financing Activities	
Accounts payable incurred for the purchase of equipment	<u><u>\$ 355,284</u></u>

See Notes to Financial Statements.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of entity: Sauk Valley Community College District 506 (the College) is organized in accordance with Chapter 110 of the Illinois Compiled Statutes. The Board of Trustees (Board) has the governing responsibilities over all activities related to public post and secondary school education within the jurisdiction of the College. The College receives funding from local, state and federal sources and must comply with the requirements established by these funding source entities. 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.

The accounting policies of the College 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 College reports are based on all applicable Government Accounting Standards Board (GASB) pronouncements. Effective July 1, 2012, the College retrospectively adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This guidance codified all FASB and AICPA accounting literature issued on or before November 30, 1989 which did not conflict with or contradict GASB guidance, directly into the GASB's authoritative literature. There were no significant effects on the financial statements as a result of the adoption of this standard.

Financial reporting entity: Accounting principles generally accepted in the United States of America require that the financial statements of the reporting entity include: (1) the primary government, (2) organizations of which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Sauk Valley College Foundation (the Foundation) has a significant relationship with the College and is therefore included as a discretely presented component unit of the College. The Foundation is reported in a separate column in the basic financial statements to emphasize it is legally separate from the College.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to provide scholarships to students attending the College. The Board of the Foundation is self-perpetuating. Although the College 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 are restricted for the benefit of the students of the College, and thereby the College itself, by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of students of the College, the Foundation is considered a component unit of the College.

Complete financial statements for the Foundation can be obtained from the Foundation. Additionally, footnotes pertaining to the Foundation's financial statements are included in Note 11 to these financial statements.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus, basis of accounting, and financial statement presentation: For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College'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-fund transactions have been eliminated. Non-exchange transactions, in which the College receives value without directly giving equal value in return, include property taxes, state appropriations and federal, state and local grants. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from grant and state appropriations 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 period when the use is first permitted, matching requirements, in which the College must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

The following is a summary of the more significant policies:

Accounting estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Cash includes deposits held at banks plus small amounts maintained for a change fund. Cash equivalents are defined as short-term highly liquid investments readily converted to cash with original maturities of three months or less. The College has deposits with financial institutions, which at times exceed the federally insured limits. Management does not believe this represents any significant risk to the College.

Investments: Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair value is based on quoted market prices for the same or similar investments.

Restricted cash and cash equivalents and investments: Restricted cash and cash equivalents and investments are primarily restricted for the purpose of constructing and purchasing capital assets, or are restricted for use by state statute that gives the College the right to levy for certain expenses.

Receivables: All property tax, student tuition and government claims and grant receivables are expected to be received within one year. Government claims and grants are from state funding agencies. The College has a reserve of \$70,000 for uncollectible student tuition and fees. The College wrote off approximately \$107,000 of tuition and fees during the year ended June 30, 2013.

Inventories: Inventories consist of supplies held in the storeroom for internal use. Inventories are recorded at the lower of cost or market, on a first-in, first-out basis. The cost is recorded as an expense at the time individual inventory items are utilized or sold.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets include land, land improvements, buildings and equipment. The College defines capital assets as assets with an initial individual cost of more than \$2,500, and a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Gains and losses realized upon retirement or disposition of capital assets are recognized in Statement of Revenues, Expenses, and Changes in Net Position as incurred. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Land improvements	50 years
Buildings	50 years
Equipment	3-7 years

Compensated absences: Compensated absences are those absences for which employees will be paid, such as vacation leave. Liabilities for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the College and its employees, are accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the College and its employees are accounted for in the period in which such services are rendered or in which such events take place. Support staff, professional staff, and administrators earn from 1 to 2 days of vacation per month of employment. All vacation earned must be taken within 18 months of the close of the fiscal year during which the vacation time has been earned. Sick leave accrues at the rate of .92 days per month. An employee will not be paid for unused sick leave when termination or resignation from the College occurs.

Property taxes: The College's property taxes are levied each year on the basis of the equalized assessed property values as of January 1 of that year. Assessed values are established by each of the respective counties. Property taxes are billed and collected by the various counties included within the College's boundaries. These taxes are assessed in December for the following collection year and are payable to the College in two installments on the following June and September, with disbursements to the College normally made within 30 days. The levy becomes an enforceable lien on the property as of January 1 of the levy year. The property tax levy passed in November 2012 was recognized as a receivable. The College recognizes as revenue one-half of the current year levy in the current fiscal year with the second half to be recognized in the following fiscal year.

Unearned revenue: Unearned revenue includes that portion of property taxes received or levied that relate to future periods and the portion of tuition and other fees received before June 30, 2013, that is applicable to sessions after June 30, 2013.

Net position: The College's net position is classified as follows:

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

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

Sauk Valley Community College District 506

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 College and may be used at the discretion of the governing board to meet current expenses for any purpose.

Effective July 1, 2012, the College retrospectively adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Since the College has no deferred inflows or outflows of resources as defined by this standard, this guidance impacted the financial statements only by requiring minor terminology changes, the principal of which was changing the term “net assets” to “net position”.

Classification of revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees and sales and service fees. Revenue from exchange transactions is recognized when earned. Student tuition and fees are recorded on the statement of revenues, expenses, and changes in net position, net of scholarship allowance and student aid. Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as local property taxes, state appropriations, most federal, state and local grants and interest.

Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

Note 2. Deposits and Investments

The College is allowed to invest funds in accordance with the Illinois Community College Act and the Public Funds Investment Act. In general, the College may invest in obligations of the United States of America or its agencies (or guaranteed by the full faith and credit of same) and certain time deposits and short-term obligations as defined in the Public Fund Investment Act. No one institution may have more than 50% of the College’s invested funds at any one time.

At June 30, 2013, the College’s deposits and investments consisted of the following securities:

Demand deposits	\$	6,358,106
Certificates of deposit		4,205,369
Illinois Funds		6,078,326
Federal Home Loan Bank Bonds		1,829,013
Federal National Mortgage Association		991,131
Federal Home Loan Mortgage Corporation		837,902
Petty cash		1,350
	\$	<u>20,301,197</u>

Custodial credit risk - deposits: Custodial credit risk for deposits is the risk that in the event of a financial institution’s failure, the College’s deposits may not be returned to it. The College’s policies require deposits in excess of the federally insured amounts be collateralized at the rate of 110% of such deposits. As of June 30, 2013, the bank balances of the College’s deposits were \$10,862,383. Of this amount, \$4,708,407 was exposed to custodial credit risk because the balances were uninsured and uncollateralized.

Interest rate risk - investments: Interest rate risk is the risk that the fair value of investments will decrease as a result of an increase in interest rates. The College’s investment policy does not limit the maturities of investments as a means of managing exposure to fair value losses arising from increasing interest rates.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

As of June 30, 2013, the College had the following investments in debt securities:

Investment Type	Fair Value	Investment Maturities (in years)	
		Less Than 1	1-5
Federal Home Loan Bank Bonds (FHLB)	\$ 1,829,013	\$ 1,829,013	\$ -
Federal National Mortgage Association (FNMA)	991,131	-	991,131
Federal Home Loan Mortgage Corporation (FreddieMac)	837,902	-	837,902
Total	<u>\$ 3,658,046</u>	<u>\$ 1,829,013</u>	<u>\$ 1,829,033</u>

At June 30, 2012, the College holds \$6,078,326 in investments in the Illinois Funds which is an investment pool managed by the State of Illinois, Office of the Treasurer, and allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. The State Treasurer maintains the Illinois Funds Money Market at cost and fair value through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at less than 25 days. The fair value of the College's investment in the funds is the same as the value of the pool shares. The fund is audited annually by an outside independent auditor and copies of the report are distributed to participants. The fund maintains a Standard & Poor's AAA rating. The College's investments in the Illinois Funds are not required to be categorized because these are not securities. The relationship between the College 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 fund are classified as investments even though some 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 Funds Investment Act, 30 ILCS 235.

Custodial credit risk – investments: Custodial credit risk for investments is the risk that, in the event of a financial institution failure, the College will not be able to recover the value of its investments that are in the possession of an outside party. The College's investment policy requires that all securities be held in appropriate third party safekeeping. Safekeeping is to be documented by an approved written agreement. At June 30, 2013, none of the College's investment securities are subject to custodial credit risk.

Credit risk - investments: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The College's investment policy minimizes credit risk by limiting investments to those which are rated with the 3 highest classifications established by Moody's or Standard and Poor's.

As of June 30, 2013, the College's investments in FHLB, FNMA and FreddieMac bonds are all rated Aaa by Moody's:

Concentration of credit risk: The College's investment policy limits only its investments in short-term obligations (corporate paper) of corporations organized in the United States to no more than 10% of their portfolio.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

More than 5.00% of the College's investments are in the following:

Farmers State Bank of Sublette Certificate of Deposit	13.84%
FHLB	12.59%
FNMA	6.82%
FreddieMac	5.77%

At June 30, 2013, the balances noted above are presented on the statement of net position as follows:

Current assets:	
Cash and cash equivalents	\$ 715,539
Investments	6,328,739
Restricted cash and cash equivalents	5,643,917
Restricted investments	3,006,630
Noncurrent assets:	
Restricted investments	4,606,372
	<u>\$ 20,301,197</u>

Note 3. Capital Assets and Commitments

A summary of the changes in capital assets for the College for the year ended June 30, 2013, is as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Nondepreciated assets:				
Land	\$ 162,651	\$ -	\$ -	\$ 162,651
Construction in process	639,275	629,471	639,275	629,471
Total nondepreciated assets	<u>801,926</u>	<u>629,471</u>	<u>639,275</u>	<u>792,122</u>
Depreciated assets:				
Land improvements	1,528,097	69,950	-	1,598,047
Buildings	21,372,452	2,676,337	-	24,048,789
Equipment	6,115,306	439,943	262,947	6,292,302
Total depreciated capital assets	<u>29,015,855</u>	<u>3,186,230</u>	<u>262,947</u>	<u>31,939,138</u>
Less accumulated depreciation:				
Land improvements	835,301	30,679	-	865,980
Buildings	5,527,320	431,909	-	5,959,229
Equipment	5,458,384	286,039	261,430	5,482,993
Total accumulated depreciation	<u>11,821,005</u>	<u>748,627</u>	<u>261,430</u>	<u>12,308,202</u>
Depreciable assets, net	17,194,850	2,437,603	1,517	19,630,936
Capital assets, net	<u>\$ 17,996,776</u>	<u>\$ 3,067,074</u>	<u>\$ 640,792</u>	<u>\$ 20,423,058</u>

As of June 30, 2013, the College has outstanding commitments for construction projects in process of approximately \$1,073,000.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 4. Long-Term Debt

The College issued general obligation bonds dated September 21, 2010 in the amount of \$6,805,000. The issue provides for serial retirement of principal on February 1 of each year through 2016 with interest due February 1 and August 1, at a range of rates from 2% to 3%.

The following is a summary of the long-term debt activity for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Payments	Balance June 30, 2013	Due Within One Year
Bond obligations:					
General obligation 2010B bonds	\$ 5,745,000	\$ -	\$ 1,655,000	\$ 4,090,000	\$ 1,705,000
Plus: Premiums	107,234	-	35,745	71,489	-
Total bond obligations	<u>5,852,234</u>	<u>-</u>	<u>1,690,745</u>	<u>4,161,489</u>	<u>1,705,000</u>
Compensated absences	<u>\$ 297,810</u>	<u>\$ 336,301</u>	<u>\$ 297,810</u>	<u>\$ 336,301</u>	<u>\$ 336,301</u>

The annual cash flow requirements of principal and interest are as follows:

Series 2010 Nontaxable

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,705,000	\$ 105,650	\$ 1,810,650
2015	1,410,000	71,550	1,481,550
2016	975,000	29,250	1,004,250
Total nontaxable debt maturities	<u>\$ 4,090,000</u>	<u>\$ 206,450</u>	<u>\$ 4,296,450</u>

The following is a schedule of the legal debt margin of the College as of June 30, 2013:

Assessed valuation - 2012 levy	<u>\$ 1,583,997,701</u>
Debt limit - 2.875% of assessed valuation	\$ 45,539,934
Less indebtedness	<u>4,090,000</u>
Legal debt margin, June 30, 2013	<u>\$ 41,449,934</u>

Note 5. Retirement Commitments

The College contributes to the State Universities Retirement System of Illinois (SURS), a cost sharing multiple employer defined pension plan with a special funding situation whereby the State of Illinois (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 the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by assessing the website at www.SURS.org or by calling 1-800-275-7877.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 5. Retirement Commitments (Continued)

Plan members are required to contribute 8% of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The rate for June 30, 2013, 2012, and 2011 was 35.20%, 34.51%, and 24.21%, respectively, of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contributions on behalf of the College to SURS for the years ended June 30, 2013, 2012, and 2011 were \$2,683,126, \$1,808,874, and \$1,546,385, respectively, equal to the required contributions for each year.

However, when college employees are paid from special trust or federal funds, which are administered by the College, the College must pay the retirement costs normally paid by the State. The employer contributions to SURS for the years ending June 30, 2013, 2012, and 2011 were \$26,890, \$29,105, and \$24,727, respectively, equal to the required contributions for each year.

Note 6. Risk Management

The College is exposed to various risks of loss related to torts, property damage and general business risks. To cover such risks, the College participates in the Illinois Community College Risk Management Consortium (Consortium), which was established in 1981 by several Chicago area community colleges as a means of reducing the cost of general liability insurance. The Consortium is a public entity risk pool currently operating as a common risk management and insurance program for the member colleges. The main purpose of the Consortium is to jointly self-insure certain risks up to an agreed upon retention limit and to obtain excess catastrophic coverage and aggregate stop-loss reinsurance over the selected retention limit. No settlement has exceeded coverage since establishment of the Consortium. In 1992, the Consortium added statutory worker's compensation coverage. In fiscal year 2013, the College paid approximately \$160,000 to the Consortium for property, liability and worker's compensation protection. Since the Consortium requests initial payments to cover substantially any losses to be incurred for that policy year, the College anticipates no further liabilities for incurred losses.

During the year ended June 30, 1993, the College adopted a partial self-insurance plan. The College is responsible for the first \$65,000 of covered medical expenses for each insured employee and covered family member. Any claims exceeding \$65,000 up to \$1,935,000 per individual are covered by a stop-loss policy purchased from the plan administrator. Claims exceeding \$1,935,000 are covered by an aggregate stop-loss policy. The College has accrued a liability of \$77,214 and \$47,244 as of June 30, 2013 and 2012, respectively, for claims incurred and reported as well as an estimate of claims incurred but not reported.

	2013	2012
Balance, July 1, 2012	\$ 47,244	\$ 36,727
Claims incurred	1,539,228	1,682,530
Claims paid	(1,509,258)	(1,672,013)
Balance, June 30, 2013	<u>\$ 77,214</u>	<u>\$ 47,244</u>

Note 7. Related Party Transactions

The College provides office space and support services for the Foundation. The value of such in-kind benefits to the Foundation was approximately \$85,600 for the year ended June 30, 2013. In addition, in 2013, the College provided an unrestricted contribution to the Foundation in the amount of \$600,000.

Notes to Financial Statements

Note 8. Pronouncements Issued But Not Yet Adopted

The following is a description of other GASB authoritative pronouncements, which have been issued but not yet adopted by the College:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for the College beginning with its year ending June 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, will be effective for the College beginning with its year ending June 30, 2015. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. This statement provides accounting and disclosure guidance relating to government combinations, including a variety of transactions referred to as mergers, acquisitions and transfers of operations. In addition, this statement provides accounting and financial reporting guidance relating to a disposal of a government's operations, resulting in the removal of specific activities of a government.

The College's management has not yet determined the effect these Statements will have on the College's financial statements.

Note 9. Component Unit

The following are the significant accounting policies and footnotes related to the component unit which do not conflict with the College.

Summary of Significant Accounting Policies

Nature of business: Sauk Valley College Foundation (the Foundation) was formed under the General Not For Profit Foundation Act of the State of Illinois on November 4, 1965. The Foundation has been approved by the Commissioner of Internal Revenue as an exempt organization under Section 501 of the Internal Revenue Code. Contributions to the Foundation qualify as charitable contributions for federal income tax purposes.

The Foundation was established to assist in carrying out the educational functions of Sauk Valley Community College. The Foundation provides funds by campaign or by other means for scholarships, fellowships, and endowments for the College for items having educational, artistic, historical, literary, or other cultural value.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 9. Component Unit (Continued)

Basis of presentation: The accompanying financial statements are presented in accordance with the accrual basis of accounting.

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets – Net assets of the Foundation not subject to donor-imposed stipulations are presently available for use by the Foundation at the discretion of the Board of Directors.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time. At June 30, 2013, temporarily restricted net assets are primarily available for student scholarships. The Board of Directors has approved the disbursement of approximately \$66,000 for scholarships for fiscal year ending June 30, 2014.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. The income earned on these investments is recorded as increases in temporarily restricted net assets as discussed in Note 2, and is generally available for student scholarships.

In accordance with the accounting guidance for governmental organizations, these net assets have been presented in the Statement of Net Position as restricted-nonspendable, scholarships (permanently restricted), restricted-expendable, scholarships and grants (temporarily restricted) and unrestricted.

Accounting estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

Concentration of credit risk: The Foundation has deposits with financial institutions, which at times exceed the federally insured limits. Management does not believe this represents significant risk to the Foundation.

Cash and cash equivalents: Cash and cash equivalents include deposit amounts and short-term, highly liquid investments that are readily convertible to cash, and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include only those investments acquired with an original maturity of three months or less. Qualifying items are treasury notes, commercial paper, repurchase agreements, and money market funds.

Investments: Investments as June 30, 2013 consist of non-brokered certificates of deposit which are carried at cost.

Contributions and other revenue: Unconditional promises to give cash or other assets to the Foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received.

Interest income is recognized in the period when earned.

Notes to Financial Statements

Note 9. Component Unit (Continued)

Income taxes: The Foundation is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3) as public charities, and is also exempt from Illinois income tax.

The Foundation files Forms 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the “more likely than not” recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying statement of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Forms 990 filed by the Foundation are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 filed by the Foundation are no longer subject to examination for tax years before June 30, 2010.

Subsequent events: Management of the Foundation has evaluated subsequent events through October 9, 2013, which is the date the financial statements were available to be issued, for possible measurement and/or disclosures effects on the financial statements.

Endowment Funds

The Foundation’s endowment consists of approximately 43 individual funds established in perpetuity with earnings to be used for a variety of purposes, primarily scholarships. Its endowments consist of donor-restricted endowment funds to be maintained permanently and term endowments.

On June 30, 2009, the Governor of the State of Illinois signed into law the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA differs from laws previously in place in a few key areas. It eliminates the historic dollar value rule with respect to endowment fund spending, it updates the prudence standard for the management and investment of charitable funds, and it amends the provisions governing the release and modification of restrictions on charitable funds. The passing of the UPMIFA law was determined to have no significant impact on the Foundation’s classification of net assets or its policy.

Notes to Financial Statements

Note 9. Component Unit (Continued)

Interpretation of Relevant Law - The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent any explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified as permanently restricted net assets (a) the original value of the 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 direction 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 as permanently restricted net assets is classified as temporarily restricted net assets until those assets have been appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed in UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purpose of the Foundation and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation; and
7. The investment policies of the Foundation.

The Foundation's endowment net asset composition by type of fund is as follows for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 409,072	\$ 1,546,355	\$ 1,955,427

The changes in endowment net assets for the Foundation were as follows for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 303,035	\$ 1,184,418	\$ 1,487,453
Investment return:				
Interest income	-	19,166	-	19,166
Net appreciation (realized and unrealized)	-	108,419	-	108,419
Total investment return	-	127,585	-	127,585
Contributions	-	-	361,937	361,937
Appropriation of endowment assets for expenditure	-	(21,548)	-	(21,548)
Endowment net assets, end of year	\$ -	\$ 409,072	\$ 1,546,355	\$ 1,955,427

Sauk Valley Community College District 506

Notes to Financial Statements

Note 9. Component Unit (Continued)

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. The Foundation had no individual donor-restricted endowment fund deficiencies at June 30, 2013.

Return Objectives and Risk Parameters

The Foundation has adopted investment policies to maximize total return (appreciation and income) and to achieve a specified income level while minimizing credit risk and avoiding excessive market risk. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a specified period(s), as well as the earnings on those funds which have not yet been appropriated. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve the principal and provide liquidity of amounts over the principal while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation's policy is that its investments should consist of a high-quality portfolio of securities following "the Prudent Man rule." Management believes this strategy will help to achieve the Foundation's long-term return objectives within prudent risk constraints. While this is the long-term strategy, on a short-term basis the Foundation chose to invest in highly liquid, short-term securities.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy is that income from donor-restricted funds will be spent on the intended service, program, or purpose, within a reasonable time period.

Related Party Transactions

The College provides office space and support services for the Foundation. The value of such in-kind benefits to the Foundation was approximately \$85,600 for the year ended June 30, 2013 and is recognized as both a revenue and expense in the statement of revenues, expenses, and changes in net position. Additionally, the College contributed \$600,000 of unrestricted funds to the Foundation.

Functional Expenses

The Foundation's expenses have been summarized on a functional basis as follows:

Programs:	
Awards and scholarships	\$ 361,198
Fundraising	4,249
General and administrative	715,338
Total expenses	<u>\$ 1,080,785</u>

Certain costs have been allocated among the programs and supporting services benefited.

Note 9. Component Unit (Continued)

Loss on Loan Guarantee

In 2004, the Foundation created the Sauk Valley Student Housing LLC (the LLC), as a wholly owned subsidiary. The LLC was created to finance, construct and manage a student housing facility for the College. In 2004, the LLC obtained financing for the housing facility in the form of tax-exempt and taxable variable rate demand bonds in the amount of \$6,725,000 and \$395,000, respectively. In connection with the bonds, the LLC entered into a letter of credit and reimbursement agreement with a bank, which provided a credit enhancement and security for repayment of the bonds. Ultimately, the debt was collateralized by a mortgage, pledge agreement, assignment of development agreement and other assignments on the property, as well as a guarantee by the Foundation. In October 2009, the bonds were tendered for payment by the bondholders and the bank was required to service the bonds with draws on the letter of credit, as the bonds were not able to be remarketed. Payments were subsequently due to the bank; however, the LLC was unable to service the payments.

In February 2011, the LLC petitioned the courts for bankruptcy protection under Chapter 7. Upon the courts' approval, the Foundation was released from its control of the LLC and the LLC was deconsolidated as of this date.

In March 2013, the Foundation entered into an agreement with the bank and a third-party buyer for the purchase of the LLC. In connection with this agreement, the Foundation was required to pay \$600,000 to the buyer for the assignment of the Foundation's membership interest in the LLC, as well as the release of the Foundation from the guarantee of the debt and any other claims.

Supplementary Information

Sauk Valley Community College District 506

All Fund Types and Account Groups
 Combining Statement of Net Position
 June 30, 2013

	Educational Fund	Operations and Maintenance Fund	Restricted Purposes Fund	Audit Fund	Liability, Protection and Settlement Fund	Bond and Interest Fund	Operations and Maintenance Fund (Restricted)
Assets							
Cash and cash equivalents	\$ 454,400	\$ 123	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	6,328,739	-	-	-	-	-	-
Restricted cash, cash equivalents and investments	-	-	1,234,522	523	5,683,192	712,520	3,086,397
Accounts receivable:							
Taxes	2,895,221	354,989	-	46,867	-	1,326,967	601,991
Other receivables	156,172	-	-	-	-	-	-
Accrued revenue	795,027	98,241	85,281	-	23,791	157	183
Due from other funds	-	108,000	-	-	-	-	645,500
Inventories	-	-	-	-	-	-	-
Prepaid expenses	150,309	206	200,849	-	10,845	-	-
Debt issuance costs, net of amortization	-	-	-	-	-	28,110	-
Capital assets	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-
Amount available in Debt Service for retirement of general long-term debt	-	-	-	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-
Total assets	\$ 10,779,868	\$ 561,559	\$ 1,520,652	\$ 47,390	\$ 5,717,828	\$ 2,067,754	\$ 4,334,071
Liabilities and Net Position							
Liabilities:							
Accounts payable	\$ 34,973	\$ 46,610	\$ 7,909	\$ -	\$ 10,518	\$ -	\$ 371,708
Accrued expenses	505,136	32,651	17,046	-	6,698	44,025	-
Unearned revenue	2,162,214	482,185	187,598	32,472	-	893,685	395,999
Due to other funds	1,260,000	-	76,000	47,000	730,500	-	-
Due to student organizations	-	-	-	-	-	-	-
General obligation bonds payable	-	-	-	-	-	-	-
Plus: Unamortized bond premiums	-	-	-	-	-	71,489	-
Total liabilities	3,962,323	561,446	288,553	79,472	747,716	1,009,199	767,707
Net Position:							
Net investment in capital assets	-	-	-	-	-	-	-
Restricted	-	-	1,232,099	(32,082)	4,970,112	1,058,555	3,566,364
Unrestricted	6,817,545	113	-	-	-	-	-
Total net position	6,817,545	113	1,232,099	(32,082)	4,970,112	1,058,555	3,566,364
Total liabilities and net position	\$ 10,779,868	\$ 561,559	\$ 1,520,652	\$ 47,390	\$ 5,717,828	\$ 2,067,754	\$ 4,334,071

Auxiliary Enterprises Fund	Working Cash Fund	Trust and Agency Funds	General Fixed Assets	Long-Term Debt	Eliminations	Total (Memorandum Only)
\$ 261,016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 715,539
-	-	-	-	-	-	6,328,739
-	2,496,374	43,391	-	-	-	13,256,919
-	-	-	-	-	-	5,226,035
-	-	-	-	-	-	156,172
121,770	640	-	-	-	-	1,125,090
1,360,000	-	-	-	-	(2,113,500)	-
4,393	-	-	-	-	-	4,393
400	-	-	-	-	(84,961)	277,648
-	-	-	-	-	-	28,110
-	-	-	32,731,260	-	-	32,731,260
-	-	-	(12,308,202)	-	-	(12,308,202)
-	-	-	-	1,058,555	(1,058,555)	-
-	-	-	-	3,031,445	(3,031,445)	-
<u>\$ 1,747,579</u>	<u>\$ 2,497,014</u>	<u>\$ 43,391</u>	<u>\$ 20,423,058</u>	<u>\$ 4,090,000</u>	<u>\$ (6,288,461)</u>	<u>\$ 47,541,703</u>

\$ 79,159	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 550,877
530	-	-	-	-	-	606,086
111,838	-	-	-	-	(84,961)	4,181,030
-	-	-	-	-	(2,113,500)	-
-	-	43,391	-	-	-	43,391
-	-	-	-	4,090,000	-	4,090,000
-	-	-	-	-	-	71,489
<u>191,527</u>	<u>-</u>	<u>43,391</u>	<u>-</u>	<u>4,090,000</u>	<u>(2,198,461)</u>	<u>9,542,873</u>
-	-	-	20,423,058	-	(4,090,000)	16,333,058
-	2,497,014	-	-	-	-	13,292,062
<u>1,556,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,373,710</u>
<u>1,556,052</u>	<u>2,497,014</u>	<u>-</u>	<u>20,423,058</u>	<u>-</u>	<u>(4,090,000)</u>	<u>37,998,830</u>
<u>\$ 1,747,579</u>	<u>\$ 2,497,014</u>	<u>\$ 43,391</u>	<u>\$ 20,423,058</u>	<u>\$ 4,090,000</u>	<u>\$ (6,288,461)</u>	<u>\$ 47,541,703</u>

Sauk Valley Community College District 506

All Fund Types
 Combining Statement of Revenues, Expenditures,
 and Changes in Net Position
 Year Ended June 30, 2013

	Educational Fund	Operations and Maintenance Fund	Restricted Purposes Fund	Audit Fund	Liability, Protection and Settlement Fund
Revenues:					
Local tax revenue	\$ 3,871,689	\$ 474,142	\$ -	\$ 65,220	\$ -
ICCB grants	2,304,815	269,849	133,747	-	-
All other state revenue	406,565	50,250	660,966	-	-
Federal revenue	8,211	-	5,658,599	-	-
Student tuition and fees	4,658,900	514,758	-	-	-
All other revenue	165,876	24,965	168,082	2	(97,207)
Revenues for on behalf payments- State portion of SURS payments	2,379,764	199,662	-	-	61,706
Total revenues	13,795,820	1,533,626	6,621,394	65,222	(35,501)
Expenditures:					
Instruction	4,728,787	-	255,076	-	-
Academic support	1,229,812	-	1,470	-	-
Student services	1,369,780	-	392,142	-	-
Public services	225,908	-	424,120	-	-
Independent operations	-	-	-	-	-
Operations and maintenance	-	1,534,481	454	-	216,416
Institutional support	3,004,551	-	261	86,982	357,023
Scholarships, student grants, and waivers	760,156	-	5,636,938	-	-
Depreciation	-	-	-	-	-
Revenue for on behalf payments - state portion of SURS payments	2,379,764	199,662	-	-	61,706
Total expenditures	13,698,758	1,734,143	6,710,461	86,982	635,145
Excess (deficiency) of revenues over expenditures	97,062	(200,517)	(89,067)	(21,760)	(670,646)
Other financing sources (uses):					
Operating transfers in	1,101,313	191,200	-	-	-
Operating transfers (out)	(191,200)	-	(1,101,313)	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	1,007,175	(9,317)	(1,190,380)	(21,760)	(670,646)
Net position, beginning of year	5,810,370	9,430	2,422,479	(10,322)	5,640,758
Net position, June 30, 2013	\$ 6,817,545	\$ 113	\$ 1,232,099	\$ (32,082)	\$ 4,970,112

Bond and Interest Fund	Operations and Maintenance Fund (Restricted)	Auxiliary Enterprises Fund	Working Cash Fund	General Fixed Assets	Eliminations	Total (Memorandum Only)
\$ 1,786,972	\$ 790,210	\$ -	\$ -	\$ -	\$ -	\$ 6,988,233
-	-	-	-	-	-	2,708,411
-	-	-	-	-	-	1,117,781
-	-	-	-	-	-	5,666,810
-	-	247,322	-	-	(2,577,712)	2,843,268
621	41,266	2,356,988	2,569	-	(2,229,950)	433,212
-	-	41,995	-	-	-	2,683,127
1,787,593	831,476	2,646,305	2,569	-	(4,807,662)	22,440,842
-	446,978	-	-	(225,507)	-	5,205,334
-	58,878	-	-	-	-	1,290,160
-	-	-	-	-	-	1,761,922
-	-	-	-	-	-	650,028
-	-	2,349,507	-	-	(2,218,428)	131,079
-	82,609	-	-	(85,221)	-	1,748,739
1,744,915	2,961,196	-	-	(2,864,179)	(1,655,000)	3,635,749
-	-	-	-	-	(2,589,234)	3,807,860
-	-	-	-	748,625	-	748,625
-	-	41,995	-	-	-	2,683,127
1,744,915	3,549,661	2,391,502	-	(2,426,282)	(6,462,662)	21,662,623
42,678	(2,718,185)	254,803	2,569	2,426,282	1,655,000	778,219
-	-	-	-	-	(1,292,513)	-
-	-	-	-	-	1,292,513	-
42,678	(2,718,185)	254,803	2,569	2,426,282	1,655,000	778,219
1,015,877	6,284,549	1,301,249	2,494,445	17,996,776	(5,745,000)	37,220,611
\$ 1,058,555	\$ 3,566,364	\$ 1,556,052	\$ 2,497,014	\$ 20,423,058	\$ (4,090,000)	\$ 37,998,830

Sauk Valley Community College District 506

**Schedule of Assessed Values, Tax Rates, Extensions,
and Collections
June 30, 2013**

	2012	2011	
ASSESSED VALUATION	\$ 1,583,997,701	\$ 1,581,646,839	
COMBINED RATE	0.4419	0.4419	
TAXES EXTENDED	\$ 6,999,686	\$ 6,989,297	
TOTAL COLLECTED TO JUNE 30, 2013	\$ 1,773,651	\$ 2,079,121	
PERCENT COLLECTED TO JUNE 30, 2013	25.34%	29.75%	
UNCOLLECTED AT JUNE 30, 2013	\$ 5,226,035	\$ 4,910,176	
2012 TAXES EXTENDED			
	Uncollected June 30, 2013	Allowance for Uncollectible Taxes	Balance After Allowance
Educational	\$ 2,895,221	\$ -	\$ 2,895,221
Operations and Maintenance	354,989	-	354,989
Operations and Maintenance - Restricted	601,991	-	601,991
Bond and Interest	1,326,967	-	1,326,967
Liability, Protection and Settlement	-	-	-
Audit	46,867	-	46,867
Total	\$ 5,226,035	\$ -	\$ 5,226,035

Uniform Financial Statements

Sauk Valley Community College District 506

All Funds Summary
Uniform Financial Statement #1
Year Ended June 30, 2013

	Educational Fund	Operations and Maintenance Fund	Operations and Maintenance Fund - Restricted	Bond and Interest Fund	Auxiliary Enterprises Fund	Restricted Purposes Fund	Working Cash Fund	Audit Fund	Liability, Protection and Settlement Fund	Total
Fund balance, July 1, 2012	\$ 5,810,370	\$ 9,430	\$ 6,284,549	\$ 1,015,877	\$ 1,301,249	\$ 2,422,479	\$ 2,494,445	\$ (10,322)	\$ 5,640,758	\$ 24,968,835
Revenues:										
Local tax revenue	3,871,689	474,142	790,210	1,786,972	-	-	-	65,220	-	6,988,233
ICCB grants	2,304,815	269,849	-	-	-	133,747	-	-	-	2,708,411
All other state revenue	406,565	50,250	-	-	-	660,966	-	-	-	1,117,781
Federal revenue	8,211	-	-	-	-	5,658,599	-	-	-	5,666,810
Student tuition and fees	4,658,900	514,758	-	-	247,322	-	-	-	-	5,420,980
All other revenue	165,876	24,965	41,266	621	2,356,988	168,082	2,569	2	(97,207)	2,663,162
Revenues for on behalf payments- State portion of SURS payments	2,379,764	199,662	-	-	41,995	-	-	-	61,706	2,683,127
Total revenue	13,795,820	1,533,626	831,476	1,787,593	2,646,305	6,621,394	2,569	65,222	(35,501)	27,248,504
Expenditures:										
Instruction	4,728,787	-	446,978	-	-	255,076	-	-	-	5,430,841
Academic support	1,229,812	-	58,878	-	-	1,470	-	-	-	1,290,160
Student services	1,369,780	-	-	-	-	392,142	-	-	-	1,761,922
Public services	225,908	-	-	-	-	424,120	-	-	-	650,028
Independent operations	-	-	-	-	2,349,507	-	-	-	-	2,349,507
Operations and maintenance	-	1,534,481	82,609	-	-	454	-	-	216,416	1,833,960
Institutional support	3,004,551	-	2,961,196	1,744,915	-	261	-	86,982	357,023	8,154,928
Scholarships, student grants, and waivers	760,156	-	-	-	-	5,636,938	-	-	-	6,397,094
Expenditures for on behalf payments- State portion of SURS payments	2,379,764	199,662	-	-	41,995	-	-	-	61,706	2,683,127
Total expenditures	13,698,758	1,734,143	3,549,661	1,744,915	2,391,502	6,710,461	-	86,982	635,145	30,551,567
Net transfers	910,113	191,200	-	-	-	(1,101,313)	-	-	-	-
Net position, June 30, 2013	\$ 6,817,545	\$ 113	\$ 3,566,364	\$ 1,058,555	\$ 1,556,052	\$ 1,232,099	\$ 2,497,014	\$ (32,082)	\$ 4,970,112	\$ 21,665,772

Sauk Valley Community College District 506

**Summary of Fixed Assets and Debt
Uniform Financial Statement #2
Year Ended June 30, 2013**

	Fixed Asset/Debt Account Groups July 1, 2012	Additions	Deletions	Fixed Asset/Debt Account Groups June 30, 2013
Fixed assets:				
Sites and improvements	\$ 1,690,748	\$ 69,950	\$ -	\$ 1,760,698
Buildings, additions and improvements	21,372,452	2,676,337	-	24,048,789
Equipment	6,115,306	439,943	262,947	6,292,302
Construction in process	639,275	629,471	639,275	629,471
	<u>29,817,781</u>	<u>3,815,701</u>	<u>902,222</u>	<u>32,731,260</u>
Accumulated depreciation	(11,821,005)	(748,627)	(261,430)	(12,308,202)
	<u>(11,821,005)</u>	<u>(748,627)</u>	<u>(261,430)</u>	<u>(12,308,202)</u>
Net fixed assets	\$ 17,996,776	\$ 3,067,074	\$ 640,792	\$ 20,423,058
Debt:				
Bonds payable	\$ 5,745,000	\$ -	\$ 1,655,000	\$ 4,090,000
Plus: premium	107,234	-	35,745	71,489
	<u>5,852,234</u>	<u>-</u>	<u>1,690,745</u>	<u>4,161,489</u>
Total debt	\$ 5,852,234	\$ -	\$ 1,690,745	\$ 4,161,489

Sauk Valley Community College District 506

**Operating Funds Revenues and Expenditures
Uniform Financial Statement #3
Year Ended June 30, 2013**

	Educational Fund	Operations and Maintenance Fund	Total Operating Funds
Operating Revenues by Source:			
Local Government:			
Property taxes	\$ 3,871,689	\$ 474,142	\$ 4,345,831
Chargeback revenue	-	-	-
Total local government	3,871,689	474,142	4,345,831
State Government:			
ICCB credit hour grants	1,213,482	149,981	1,363,463
ICCB equalization grants	925,378	114,375	1,039,753
ICCB - career and technical education	121,455	-	121,455
Corporate personal property replacement taxes	406,565	50,250	456,815
ICCB - other	44,500	5,493	49,993
Total state government	2,711,380	320,099	3,031,479
Federal Government -			
Department of Education	8,211	-	8,211
Total federal government	8,211	-	8,211
Student Tuition and Fees:			
Tuition	4,189,404	514,758	4,704,162
Fees	469,496	-	469,496
Total tuition and fees	4,658,900	514,758	5,173,658
Other Sources:			
Sales and service fees	142,963	-	142,963
Facilities revenue	-	6,400	6,400
Investments revenue	8,095	2,112	10,207
Other - miscellaneous	14,818	16,453	31,271
Revenue for on behalf payments-			
State portion of SURS payments	2,379,764	199,662	2,579,426
Total other revenue	2,545,640	224,627	2,770,267
Total revenue	13,795,820	1,533,626	15,329,446
Less: Non-operating items* -			
Tuition chargeback revenue	-	-	-
Adjusted revenue	\$ 13,795,820	\$ 1,533,626	\$ 15,329,446

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

Sauk Valley Community College District 506

**Operating Funds Revenues and Expenditures
Uniform Financial Statement #3 (Continued)
Year Ended June 30, 2013**

	Educational Fund	Operations and Maintenance Fund	Total Operating Funds
Operating Expenditures:			
By Program:			
Instruction	\$ 4,728,787	\$ -	\$ 4,728,787
Academic support	1,229,812	-	1,229,812
Student services	1,369,780	-	1,369,780
Public services	225,908	-	225,908
Operation and maintenance	-	1,534,481	1,534,481
Institutional support	3,004,551	-	3,004,551
Scholarships, student grants, and waivers	760,156	-	760,156
Expenditures for on behalf payments - State portion of SURS payment	2,379,764	199,662	2,579,426
Total expenditures	13,698,758	1,734,143	15,432,901
Less non-operating items* :			
Tuition chargeback	-	-	-
Transfers to Non-Operating funds	-	-	-
Adjusted expenditures	\$ 13,698,758	\$ 1,734,143	\$ 15,432,901
By Object:			
Salaries	\$ 6,801,396	\$ 570,637	\$ 7,372,033
Employee benefits	1,673,904	243,117	1,917,021
Contractual services	541,386	92,763	634,149
General materials and supplies	776,602	91,564	868,166
Library materials**	4,500	-	4,500
Travel and conference expense	125,459	2,910	128,369
Fixed charges	2,017	52,637	54,654
Utilities	-	480,853	480,853
Capital outlay	-	-	-
Other	1,398,230	-	1,398,230
Expenditures for on behalf payments- State portion of SURS payment	2,379,764	199,662	2,579,426
Total expenditures	13,698,758	1,734,143	15,432,901
Less non-operating items* :			
Tuition chargeback	-	-	-
Transfers to Non-Operating Funds	-	-	-
Adjusted expenditures	\$ 13,698,758	\$ 1,734,143	\$ 15,432,901

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

**Non add line

Sauk Valley Community College District 506

Restricted Purposes Funds Revenue and Expenditures

Uniform Financial Statement #4

Year Ended June 30, 2013

Revenue by sources:

State Government:

ICCB - Adult Education	\$	132,451
Illinois Veterans' Grants		122,524
ISAC - Monetary Award Grants		478,193
Other		61,545

Total state government

794,713

Federal Government:

Department of Education		5,321,697
Other		336,902

Total federal government

5,658,599

Other sources (uses):

Investment gains		168,082
------------------	--	---------

Total restricted purposes funds revenue

\$ 6,621,394

Restricted Purposes Funds Expenditures:

By Program:

Instruction		255,076
Academic support		1,470
Student services		392,142
Public services		424,120
Independent operations		-
Operations and maintenance		454
Institutional support		261
Scholarships, student grants, and waivers		5,636,938

Total restricted purposes funds expenditures

\$ 6,710,461

(continued)

Sauk Valley Community College District 506

Restricted Purposes Funds Revenue and Expenditures

Uniform Financial Statement #4 (Continued)

Year Ended June 30, 2013

Expenditures By Object:

Salaries	\$	882,856
Employee benefits		104,775
Contractual services		50,048
General materials and supplies		92,750
Travel and conference expense		45,339
Capital outlay		5,882
Scholarships, student grants, and waivers		5,469,379
Other		59,432
Total restricted purposes funds expenditures	\$	6,710,461

Sauk Valley Community College District 506

Current Funds Expenditures By Activity
Uniform Financial Statement #5
Year Ended June 30, 2013

Instruction:	
Instructional programs	\$ 4,914,732
Other	69,131
Total instruction	4,983,863
Academic support:	
Library	233,487
Instructional materials center	1
Academic computing support	417,900
Academic administration and planning	454,103
Other	125,790
Total academic support	1,231,282
Student services:	
Admissions and records	206,932
Counseling and career guidance	767,698
Financial aid administration	263,814
Social and cultural development	34,832
Administration	125,975
Other	362,670
Total student services support	1,761,922
Public services/continuing education:	
Community education	225,908
Community services	365,295
Other	58,825
Total public services/continuing education	650,028
Auxiliary services	2,349,507
Operations and maintenance of plant:	
Maintenance	329,985
Custodial services	423,148
Grounds	135,260
Campus security	216,870
Utilities	480,853
Administration	159,568
Other	5,667
Total operations and maintenance of plant	\$ 1,751,351

(continued)

Sauk Valley Community College District 506

Current Funds Expenditures By Activity
Uniform Financial Statement #5 (Continued)
Year Ended June 30, 2013

Institutional support:	
Executive management	\$ 471,725
Fiscal operations	482,602
Community relations	357,915
Administrative support services	210,260
Board of trustees	118,108
General institution	556,978
Institutional research	88,075
Administrative data processing	560,968
Other	<u>602,185</u>
Total institutional support	<u>3,448,817</u>
Scholarships, student grants, and waivers	<u>6,397,094</u>
Expenditures for on behalf payments - State portion of SURS payments	<u>2,683,127</u>
Total current funds expenditures	<u><u>\$ 25,256,991</u></u>

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

Sauk Valley Community College District 506

Certificate of Chargeback Reimbursement
For Fiscal Year 2014

All fiscal year 2013 noncapital audited operating expenditures for the past fiscal year from the following funds:

1	Educational Fund	\$ 11,318,994
2	Operations and Maintenance Fund	\$ 1,534,481
3	Public Building Commission Operations and Maintenance Fund	\$ -
4	Bond and Interest Fund	\$ 1,744,915
5	Public Building Commission Rental Fund	\$ -
6	Restricted Purposes Fund	\$ 6,704,579
7	Audit Fund	\$ 86,982
8	Liability, Protection, and Settlement Fund	\$ 568,294
9	Auxiliary Enterprises Fund (subsidy only)	\$ -
10	Total noncapital expenditures (sum of lines 1 - 9)	<u>\$ 21,958,245</u>
11	Depreciation on capital outlay expenditures from sources other than state and federal funds	<u>\$ 799,858</u>
12	Total costs included (line 10 plus line 11)	<u>\$ 22,758,103</u>
13	Total certified semester credit hours for FY 2013	<u>47,384</u>
14	Per capita cost (line 12 divided by line 13)	<u>\$ 480.30</u>
15	All FY 2013 state and federal operating grants for noncapital expenditures, except ICCB grants	<u>\$ 6,733,149</u>
16	FY 2013 state and federal grants per semester credit hour (line 15 divided by line 13)	<u>\$ 142.10</u>
17	District's average ICCB grant rate for FY 2013	<u>\$ 26.66</u>
18	District's student tuition and fee rate per semester credit hour for FY 2014	<u>\$ 103.00</u>
19	Chargeback reimbursement per semester credit hour (line 14 less lines 16, 17 and 18)	<u><u>\$ 208.54</u></u>

Approved: Mussai m Day 10/3/13
Chief Fiscal Officer Date

Approved: George M. ... 10-7-13
Chief Executive Officer Date

ICCB Grant Program Section



Independent Auditor's Report on Grant Program Financial Statements

To the Board of Trustees
Sauk Valley Community College District 506
Dixon, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the State Adult Education and Family Literacy Grants and Career and Technical Education Program Improvement Grants of Sauk Valley Community College District 506 (the College) as of and for the year ended June 30, 2013 and the related notes to the financial statements - grant programs, which collectively comprise the College's grant program 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 grant program financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sauk Valley Community College's State Adult Education and Family Literacy Grants and Career and Technical Education Program Improvement Grants as of June 30, 2013, and the respective changes in financial position thereof of the year then ended in accordance with auditing principles generally accepted in the United States of America.

Emphasis of Matter

The grant program financial statements present only the Grant Programs referred to above and do not purport to, and do not present the financial position of the College as of June 30, 2013, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the grant program financial statements of the College. The ICCB Compliance Statement on page 47 is presented for the purposes of additional analysis and is not a required part of the grant program financial statements.

The ICCB Compliance Statement on page 47 is the responsibility of management and was derived from and relates directly to the accounting and other records used to prepare the grant program financial statements. Such information has been subjected to the auditing procedures applied in the audits of the grant program financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the grant program financial statements or to the grant program financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the ICCB Compliance Statement on page 47 is fairly stated, in all material respects, in relation to the grant program financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2013 on our consideration of the College's internal control over financial reporting of the grant programs and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 College's internal control over financial reporting and compliance of the grant programs.

McGladrey LLP

Rockford, Illinois
October 9, 2013



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

To the Board of Trustees
Sauk Valley Community College District 506
Dixon, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the guidelines of the Illinois Community College Board *Fiscal Management Manual*, the financial statements of the State Adult Education and Family Literacy Grants and Career and Technical Education Program Improvement Grants (the Grant Programs) of Sauk Valley Community College District 506 (the College) as of and for the year ended June 30, 2013, and the related notes to the financial statements – grant programs, and have issued our report thereon dated October 9, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the grant program financial statements, we considered the College'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 grant program financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's Grant Program financial statements are free from 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 grant program 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 an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGladrey LLP

Rockford, Illinois
October 9, 2013

Sauk Valley Community College District 506

State Adult Education and Family Literacy Grants
 Statement of Net Position
 June 30, 2013

Assets	State Basic	Public Assistance	Performance	Total (Memorandum Only)
Cash	\$ 7,103	\$ 3,275	\$ 92	\$ 10,470
Prepaid expense	375	-	-	375
Due from governmental unit	-	-	3,549	3,549
Total assets	\$ 7,478	\$ 3,275	\$ 3,641	\$ 14,394
 Liabilities and Net Position				
Liabilities				
Accrued expenditures	\$ 2,129	\$ 142	\$ 341	\$ 2,612
Due to governmental unit	5,349	3,133	-	8,482
Due to intergovernmental fund	-	-	3,300	3,300
	<u>7,478</u>	<u>3,275</u>	<u>3,641</u>	<u>14,394</u>
Net position	-	-	-	-
Total liabilities and net position	\$ 7,478	\$ 3,275	\$ 3,641	\$ 14,394

See Notes to Financial Statements - Grant Programs.

Sauk Valley Community College District 506

**State Adult Education and Family Literacy Grants
Statement of Revenues, Expenditures, and Changes in Net Position
Year Ended June 30, 2013**

	State Basic	Public Assistance	Performance	Total (Memorandum Only)
Revenues				
State sources	\$ 70,574	\$ 19,290	\$ 42,587	\$ 132,451
Expenditures by program:				
Instruction	42,243	11,804	24,594	78,641
Social work services	1,406	2,703	4,527	8,636
Guidance services	3,391	613	856	4,860
Assessment and testing	2,644	-	1,958	4,602
Student transportation services	-	-	-	-
Literacy services	484	-	1,014	1,498
Total instructional and student services	50,168	15,120	32,949	98,237
Improvement of instructional services	3,833	676	1,489	5,998
General administration	8,556	1,962	5,086	15,604
Workforce coordination	492	-	-	492
Data and information services	7,525	1,532	3,063	12,120
Total program support	20,406	4,170	9,638	34,214
Total expenditures	70,574	19,290	42,587	132,451
Excess of revenues over expenditures	-	-	-	-
Net position, beginning of year	-	-	-	-
Net position, end of year	\$ -	\$ -	\$ -	\$ -

See Notes to Financial Statements - Grant Programs.

Sauk Valley Community College District 506

State Adult Education and Family Literacy Grants

ICCB Compliance Statement

Year Ended June 30, 2013

State Basic	Audited Expenditure Amount	Actual Expenditure Percentage
Instruction (45% minimum required)	\$ 42,243	59.9%
General administration (15% maximum allowed)	\$ 8,556	12.1%

State Public Assistance	Audited Expenditure Amount	Actual Expenditure Percentage
Instruction (45% minimum required)	\$ 11,804	61.2%
General administration (15% maximum allowed)	\$ 1,962	10.2%

See Notes to the Financial Statements - Grant Programs.

Sauk Valley Community College District 506

Career and Technical Education - Program Improvement Grants

Statement of Net Position

June 30, 2013

Assets

Cash	\$ 9,862
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Liabilities and Net Position

Liabilities	\$ 9,862
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Net position	-
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Total liabilities and net position	\$ 9,862
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See Notes to Financial Statements - Grant Programs.

Sauk Valley Community College District 506

**Career and Technical Education - Program Improvement Grants
Statement of Revenues, Expenditures, and Changes in Net Position
Year Ended June 30, 2013**

Revenues	
State sources	\$ 1,296
	<hr/>
Expenditures	
Materials and supplies	1,296
Capital outlay	-
	<hr/>
Total expenditures	1,296
	<hr/>
Excess of revenues over expenditures	-
	<hr/>
Net position, beginning of year	-
	<hr/>
Net position, end of year	<u><u>\$ -</u></u>

See Notes to Financial Statements - Grant Programs.

Note 1. Description of Programs

Career and Technical Education – Program Improvement Grants Program

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.

State Adult Education and Family Literacy Grants Program

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. This grant is for the purpose of providing adults in the community instruction as may be necessary to increase their qualifications for employment or other means of self-support and to increase 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 childcare facilities or provision.

Public Assistance

Grant awarded to Adult Education and Family Literacy providers to pay for any 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.

Note 2. Significant Accounting Policies

General: The accompanying statements include only those transactions resulting from the Illinois Community College Board (ICCB) Career and Technical Education Program Improvement and State Adult Education and Family Literacy Grant Programs. These transactions have all been accounted for in the Restricted Purposes Fund.

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

Capital assets: Capital asset purchases are recorded as capital outlay. However, for the Statement of Net Position for the College as a whole, capital assets are capitalized.

Note 3. 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 Schedule of Enrollment
Data and Other Bases Upon Which Claims are Filed**

To the Board of Trustees
Sauk Valley Community College District 506
Dixon, Illinois

We have examined the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed (the schedule) of Sauk Valley Community College District 506 (the College) for the year ended June 30, 2013. The College's management is responsible for the Schedule. Our responsibility is to express an opinion on the schedule based upon 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 included examining, on a test basis, evidence supporting the Schedule and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed is fairly presented in all material respects, in accordance with the provisions of the Illinois Community College Board's *Fiscal Management Manual*.

McGladrey LLP

Rockford, Illinois
October 9, 2013

Sauk Valley Community College
Community College District #506

SCHEDULE OF ENROLLMENT DATA AND OTHER BASES UPON WHICH CLAIMS ARE FILED FOR THE YEAR ENDED JUNE 30, 2013

Total Semester Credit Hours by Term (In-District and Out of District Reimbursable)										
Categories	Summer		Fall		Winter		Spring		(Note 3) TOTAL	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Notes 1 and 2										
Baccalaureate	2,627.0	-	13,406.0	-			13,222.0	-	29,255.0	-
Business Occupational	349.0	-	1,640.0	87.0			1,534.0	2.5	3,523.0	89.5
Technical Occupational	236.0	-	1,919.0	-			2,083.5	-	4,238.5	-
Health Occupational	650.5	-	2,418.0	-			2,252.0	24.0	5,320.5	24.0
Remedial Developmental	231.0	-	2,123.0	-			1,502.0	-	3,856.0	-
Adult Basic/Secondary Education	-	61.0	-	457.0			-	559.0	-	1,077.0
TOTAL	4,093.5	61.0	21,506.0	544.0			20,593.5	585.5	46,193.0	1,190.5

NOTE 1) Unrestricted credit hours are supported with 50% or more of unrestricted sources of funding and are reimbursable if they meet all eligibility requirements.

NOTE 2) Restricted credit hours are supported with more than 50% of restricted sources of funding.

NOTE 3) Total of unrestricted and restricted should equal the SU and SR record totals.

	Attending In-District	Attending Out-of-District on Chargeback or a Cooperative/Contractual Agreement	TOTAL
Reimbursable Semester Credit Hours (All Terms)	45,291.00	1,405.50	46,696.50
	Dual Credit		Dual Enrollment
Reimbursable Semester Credit Hours (All Terms)	4,927.00		70.0

District Prior Year Equalized Assessed Valuation	1,583,997,701
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Correctional Semester Credit Hours by Term					
Categories	Summer	Fall	Winter	Spring	TOTAL
Baccalaureate					
Business Occupational					
Technical Occupational					
Health Occupational					
Remedial Developmental					
Adult Basic/Secondary Education					
TOTAL					

Signatures

Chief Executive Officer (CEO) Chief Financial Officer (CFO)

Sauk Valley Community College District 506

Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed (Continued)
Year Ended June 30, 2013

	Total Unrestricted Credit Hours	Total Unrestricted Credit Hours Certified to the ICCB	Difference	Total Restricted Credit Hours	Total Restricted Credit Hours Certified to the ICCB	Difference
Baccalaureate	29,255.0	29,255.0	-	-	-	-
Business Occupational	3,523.0	3,523.0	-	89.5	89.5	-
Technical Occupational	4,238.5	4,238.5	-	-	-	-
Health Occupational	5,320.5	5,320.5	-	24.0	24.0	-
Remedial Development	3,856.0	3,856.0	-	-	-	-
Adult Basic Education/Adult Secondary Education	-	-	-	1,077.0	1,077.0	-
Total	46,193.0	46,193.0	-	1,190.5	1,190.5	-

Reconciliation of In-District/Chargeback and Cooperative/
Contractual Agreement Credit Hours
Year Ended June 30, 2013

	Total Attending	Total Attending as Certified to the ICCB	Difference
Reimbursable in-district residents	45,291.00	45,291.00	-
Reimbursable out-of-district on chargeback or contractual agreement	<u>1,405.50</u>	<u>1,405.50</u>	<u>-</u>
	<u>46,696.50</u>	<u>46,696.50</u>	<u>-</u>

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

Sauk Valley Community College District 506

Note to Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed Year Ended June 30, 2013

Note 1. Residency Verification Process

PROCEDURES FOR VERIFYING AND CLASSIFYING RESIDENCY

An in-district student is one whose legal residence is within the boundaries of the Sauk Valley Community College District. New students to the district must reside in the district at least 30 days prior to registration to be eligible for in-district tuition. All students applying for admission to the College are required to certify on the Student Information Form that the address given is correct. They will be subject to dismissal if found inaccurate. Returned mail to the College creates cause to question residency. If an address is questioned, the student will be coded as out-of-district and must display proof of residency in order to regain in-district status. Proof of residency may include a driver's license, voter's registration card, property tax bill, or an apartment lease. For tuition purposes only (not for State funding classification), in-district tuition will be granted to a student who presents either a recent paycheck stub from an in-district employer, a property tax bill for in-district property owned by the student, or an authorized chargeback form. Residents of states other than Illinois will be classified as out-of-state.



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

To the Board of Trustees
Sauk Valley Community College District 506
Dixon, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Sauk Valley Community College District 506 (the College), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 9, 2013. The financial statements of Sauk Valley College Foundation, the College's discretely presented component unit, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Sauk Valley College Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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 an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The signature of McGladrey LLP is written in a cursive, handwritten style.

Rockford, Illinois
October 9, 2013



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

To the Board of Trustees
Sauk Valley Community College District 506
Dixon, Illinois

Report on Compliance for Each Major Federal Program

We have audited Sauk Valley Community College District 506 (the College)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Sauk Valley Community College District 506 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of Sauk Valley Community College District 506 (the College) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 9, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

McGladrey LLP

Rockford, Illinois
October 9, 2013

Sauk Valley Community College District 506

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title:	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Education:			
Student Financial Aid Cluster:			
Federal Pell Grant Program			
Pell Grant Program	84.063		\$ 3,575,605
Pell Grant Program - Administrative allowance	84.063		6,185
Total Federal Pell Grant Program			3,581,790
Federal Direct Student Loan	84.268		1,101,189
Supplemental Educational Opportunity Grant	84.007		68,853
College Work Study Program	84.033		178,270
Total Student Financial Assistance Cluster			4,930,102
TRIO Cluster - Student Support Services	84.042A		258,622
Passed through the Illinois Community College Board:			
CTE Innovation	84.048	CTEL10506	2,882
CTE Perkins Postsecondary	84.048	CTE50610	143,635
CTE Local Programs of Study Implementation	84.048	CTEL13POS1506	1,537
Improving Teacher Quality State Grants - Bridging the Gap	84.048	13CA506	119
Women in Public Safety	84.048	12D244.02	1,600
R.N. Ready	84.048	12D244.06	1,517
ISU FUSE	84.048	09D267.10	1,600
			152,890
Federal Adult Education	84.002A	50601	73,154
Endowment Challenge Grant II (Note 3)	84.031g		1,248,202
Total U.S. Department of Education			6,662,970
Department of Veteran's Affairs			
Post 9/11 Veteran's Educational Assistance	64.028		47,495
Corporation for National and Community Service			
Passed through the Illinois Department of Health and Human Services			
AmeriCorps - Formula Program	94.006	11G7091000	236,885
Total Expenditures of Federal Awards			\$ 6,947,350

CFDA - Catalog of Federal Domestic Assistance

See Notes to Schedule of Expenditures of Federal Awards.

Sauk Valley Community College District 506

Notes to Schedule of Expenditures of Federal Awards

Note 1. Significant Accounting Policy

Reporting entity and basis of accounting: The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sauk Valley Community College District 506 (the College) for the year ended June 30, 2013, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Loan Program

The College'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 3. Endowment Grants

The College's schedule of expenditures of federal awards (the Schedule) includes an amount reported for the College's participation in the U.S. Department of Education's Endowment Challenge Grant. In 1993, the College received a grant in the amount \$321,795, which was to be maintained by the College for a period of 20 years. The grant held a matching provision which was met by the College prior to receipt of the federal funds. The amount reported in the Schedule, in accordance with the grant agreement, represents the original grant amount, the College's match, and 50% of the endowment earnings through June 30, 2013.

Sauk Valley Community College District 506

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes 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 section 510(a) of OMB Circular A-133? Yes No

Identification of major program:

CFDA Number	Name of Federal Program/Cluster
84.063, 84.268, 84.007, 84.033	Student Financial Assistance Cluster

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

Auditee qualified as low-risk auditee? Yes No

Sauk Valley Community College District 506

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

II. Financial Statement Findings

There were no financial statement findings required to be reported in accordance with generally accepted government auditing standards.

III. Federal Awards Findings and Questioned Costs

There were no findings or questioned costs for federal awards.

Sauk Valley Community College District 506

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012**

There were no financial statement findings or questioned costs for federal awards in the prior year.