

SAUK VALLEY COMMUNITY COLLEGE DISTRICT 506

DIXON, ILLINOIS

ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2018

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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, 2018, 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 the accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Sauk Valley College Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College'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 College'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 discretely presented component unit of Sauk Valley Community College District 506, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Other Information

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

The supplemental financial information and the schedule of expenditures of federal awards 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the annual federal financial compliance section and the supplemental financial information listed under the special reports section of the table of contents are fairly presented in all material respects in relation to the financial statements taken as a whole.

The other supplemental financial information listed in the special reports section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Wipfli LLP

Sterling, Illinois
October 10, 2018

Sauk Valley Community College District 506

Management Discussion and Analysis

Using This Annual Report

As the management of Sauk Valley Community College District 506 (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, 2018.

The MD&A provides an overview of the College’s financial position at June 30, 2018 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, supplemental and other supplemental financial 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, 2018:

- The College paid down \$955 thousand of long-term debt during the year.
- The College had approximately \$219 thousand of State funding in arrears at June 30, 2018.
- Net position decreased during FY 2018 by approximately \$184 thousand.
- During FY2018, the College’s enrollment in credit hours decreased about 6.0%.

Components of Financial Statements

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

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

Sauk Valley Community College District 506

Management Discussion and Analysis

Components of Financial Statements

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.

The College's financial position is summarized as follows for the years ended June 30, 2018 and 2017:

Financial Analysis of the College as a Whole

	Net Position			
	As of June 30, (in thousands)			
	2018	As Restated 2017	Increase (Decrease)	Percent Change
Current assets	\$24,470	\$20,070	\$4,400	21.9%
Noncurrent assets:				
Capital assets, net	26,314	25,250	1,064	4.2%
Other	1,783	2,542	(759)	(29.9%)
Total assets	52,567	47,862	4,705	9.8%
Deferred outflow of resources	564	34	530	1,558.8%
Total assets and deferred outflows	53,131	47,896	5,235	10.9%
Current liabilities	3,366	2,366	1,000	42.3%
Noncurrent liabilities	13,086	9,477	3,609	38.1%
Total liabilities	16,452	11,843	4,609	38.9%
Deferred inflows of resources	4,350	3,540	810	22.9%
Total liabilities and deferred inflows	20,802	15,383	5,419	35.2%
Net position:				
Net investment in capital assets	24,314	22,177	2,137	9.6%
Restricted	8,755	5,441	3,314	60.9%
Unrestricted	(740)	4,895	(5,635)	(115.1%)
Total net position	\$32,329	\$32,513	(\$184)	(0.6%)

The College's total net position at June 30, 2018 decreased approximately \$184 thousand, an decrease of approximately 0.6%.

In fiscal year 2018, the College's total assets and deferred outflows increased by \$5,235 thousand. Cash and cash equivalents increased by \$255 thousand, deposits increased by \$1 thousand, short-term investments increased \$7,600 thousand due to receipt of debt certificate proceeds and reclassifying funds from a Foundation receivable to a Foundation investment, property tax receivables increased by \$100 thousand, Government claims and grants decreased by \$1,904 thousand due to 99% of all state funding received in 2018, other receivables decreasing by \$2,191 due to mostly to the Foundation receivable reclass, prepaid expenses decreased by \$221 thousand, capital assets increased by \$1,064 thousand and deferred outflows increased by \$530 thousand due mostly to the recording of a OPEB liability of \$516 thousand.

Sauk Valley Community College District 506

Management Discussion and Analysis

Financial Analysis of the College as a Whole (continued)

Total liabilities and deferred inflows increased \$5,419 thousand. Current liabilities increased \$1,000 thousand due mostly due current bond payable increasing by \$995 thousand. Non-current liabilities increased \$3,609 thousand due to long term debt payable increasing by \$3,075 thousand and OPEB liabilities increased by \$591 thousand. Deferred inflow of resources increased by \$810 thousand due to deferred property taxes increasing by \$130 thousand and deferred OPEB liability of \$680 thousand.

In fiscal year 2018, the College's total net position decreased \$184 thousand. Restricted net position increased \$3,314 thousand primarily due to an increase in Operation & Maintenance Restricted from the proceeds of a debt certificate issuance. Unrestricted net position decreased by \$5,635 thousand.

Revenues and expenses for the years ended June 30, 2018 and 2017 are as follows:

Operating Results for the Year Ended June 30, (in thousands)

	2018	As Restated 2017	Increase (Decrease)	Percent Change
Revenues:				
Tuition and fees	\$2,772	\$2,596	\$176	6.8%
Auxiliary	192	155	37	23.9%
State sources	6,692	2,658	4,034	151.8%
Federal sources	4,463	4,599	(136)	(3.0%)
Property taxes	7,172	6,916	256	3.7%
Personal property replacement tax	414	503	(89)	(17.7%)
Interest income	127	70	57	81.4%
Other	345	5,173	(4,828)	(93.3%)
Total revenues	22,177	22,670	(493)	(2.2%)
Expenses:				
Instruction	7,032	4,871	2,161	44.4%
Academic support	1,707	1,487	220	14.8%
Student services	2,065	1,557	508	32.6%
Public services	1,159	628	531	84.6%
Independent operations	622	1,189	(567)	(47.7%)
Operations and maintenance	1,806	1,799	7	0.4%
Institutional support	4,089	14,402	(10,313)	(71.6%)
Scholarships, grants and waivers	2,672	2,598	74	2.8%
Depreciation	1,153	868	285	32.8%
Loss on disposal of fixed assets	0	3	(3)	(100.0%)
Interest	56	60	(4)	(6.7%)
Total expenses	22,361	29,462	(7,101)	(24.1%)
Change in net position	(184)	(6,792)	6,608	(97.3%)
Net position, beginning of year,	32,513	39,305	(6,792)	(17.3%)
Net position, end of year	\$32,329	\$32,513	(\$184)	(0.6%)

Sauk Valley Community College District 506

Management Discussion and Analysis

Financial Analysis of the College as a Whole (continued)

At June 30, 2018, net position decreased \$184 thousand. Compared to fiscal year 2017, revenues decreased \$493 thousand and expenses decreased \$7,101 thousand.

Operating revenue increased by \$213 thousand from fiscal year 2017. Non-operating state revenue increased by \$4,034 thousand due to the state passing a budget for FY18 and reclassifying SURS on behalf payment to state revenue rather than other revenue. Non-operating federal revenue decreased from fiscal 2017 by \$136 thousand. This decrease is primarily due to Pell Grants being down \$65 thousand College Workstudy/SEOG being down \$64 thousand and other Federal grants being down slightly. Local property tax increased due to a slight increase in the districts EAV in the 2017 tax year.

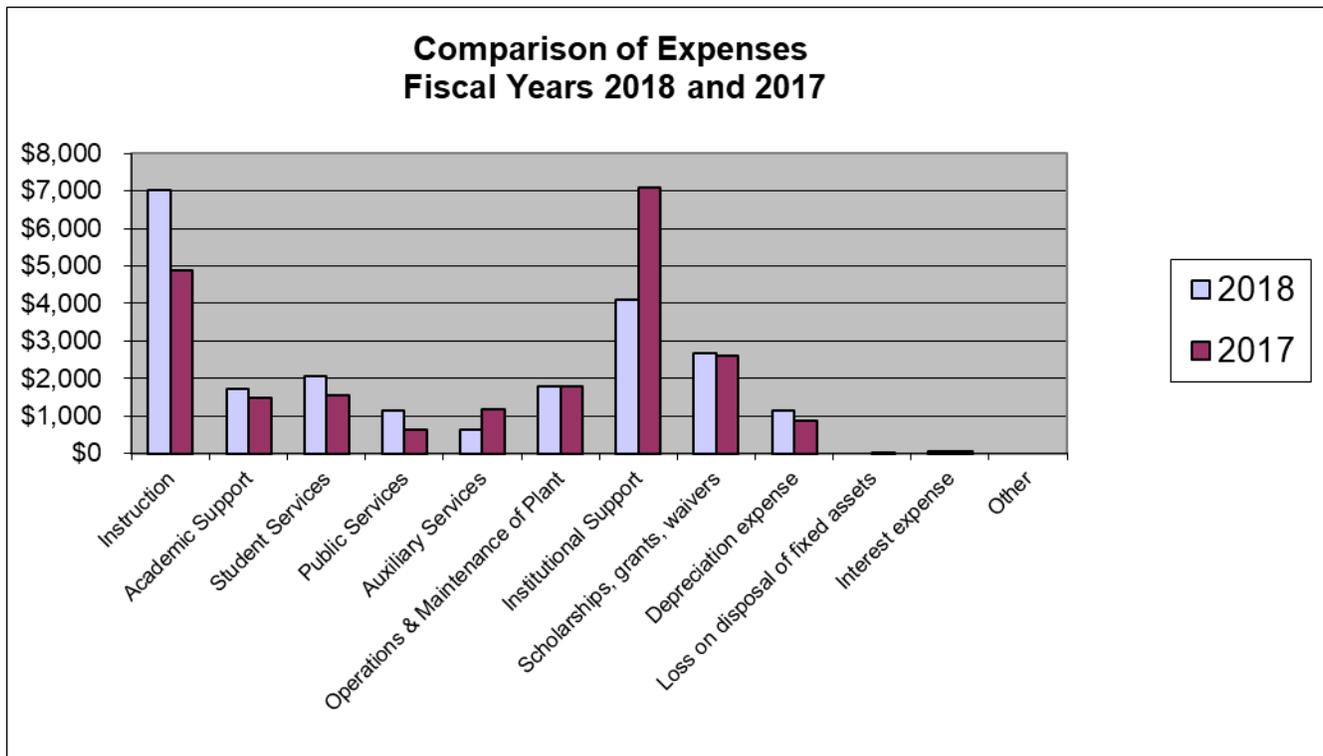
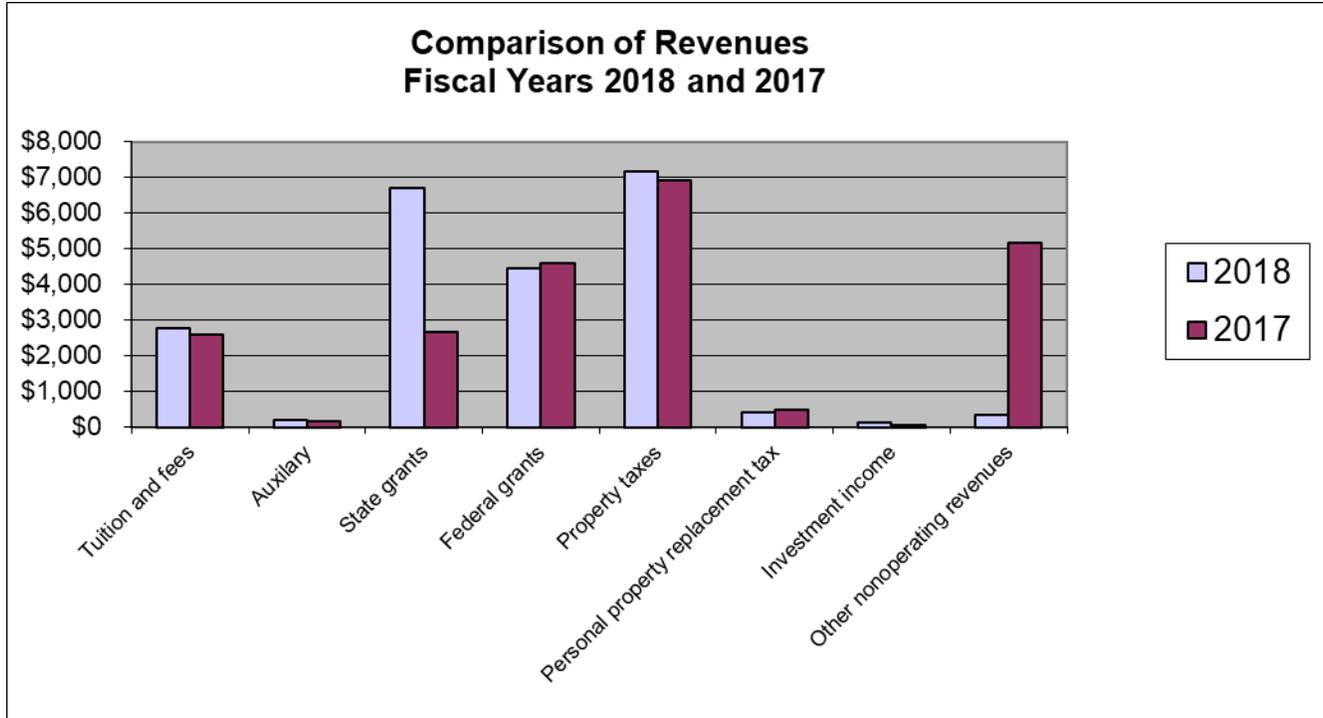
Expenses decreased \$7,101 thousand. This is due primarily to the recording of the initial OPEB liability in 2017 of \$7,311 thousand.

Sauk Valley Community College District 506

Management Discussion and Analysis

Financial Analysis of the College as a Whole (continued)

The following graphs depict revenues and expense for the years ended June 30, 2018 and 2017:



Sauk Valley Community College District 506

Management Discussion and Analysis

Capital Assets

At June 30, 2018, the College had approximately \$41,127 thousand invested in land, buildings, land improvements, and equipment. In addition, approximately \$16,353 thousand in depreciation has accumulated over the years, with approximately \$1,121 thousand being incurred in the current year. The College's net book value of capital assets at June 30, 2018 is approximately \$26,314 thousand.

Total additions for the year were approximately \$2,217 thousand. Most of the additions during the year were financed through funding bond proceeds.

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

Long-Term Debt Activity

At June 30, 2018, the College had approximately \$2,000 thousand in general long-term debt for Series 2014 bonds, which were issued during December 2014 to defease the Series 2014 Debt Certificates. The College issued new Debt Certificates, Series 2018 for \$5,025,000. Funding bonds were issued in September to defease the Series 2018 Debt Certificates which are set to close in October 2018.

The College's most recent Standard & Poor's bond rating (2018) was "AA-". State statutes limit the amount of debt that a school district may issue. The current debt limit for the College is approximately \$42.2 million under that statutory limit.

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

Factors Impacting the College's Future

For fiscal year 2019, the College is budgeting that paid enrollment will be down 5%. Property tax revenue will increase approximately 1% consistent with past year increases. The College is planning on the State of Illinois funding close to flat compared to FY18 funding.

In fiscal year 2019, the College plans on finishing the upgrade of the boiler project as well as replace 8 of the original air handlers. Addition upgrade include security equipment, fire suppression equipment and electrical equipment. Expected costs are to be about \$3.5 million with financing coming from funding bond proceeds, Protection Health and Safety tax levies and state capital project funds.

Sauk Valley Community College District 506

Management Discussion and Analysis

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:

Vice President of Business & Facilities
Sauk Valley Community College District 506
173 Illinois Rte. 2
Dixon, IL 61021
Phone number (815) 288-5511

BASIC FINANCIAL STATEMENTS

Sauk Valley Community College District 506

Statement of Net Position/Net Assets

June 30, 2018

	Primary Institution Business-Type Activities	Component Unit Foundation
ASSETS		
Current assets:		
Cash and cash equivalents	\$2,433,868	\$658,118
Deposits	3,002,608	693,000
Short-term investments	13,358,214	5,000,678
Property taxes receivable	5,119,958	0
Other receivables	416,678	510,986
Inventory	1,396	0
Prepaid expenses	137,316	1,175
Total current assets	24,470,038	6,863,957
Noncurrent assets:		
Long-term investments	1,782,739	0
Capital assets	42,666,788	0
Less accumulated depreciation	(16,353,123)	0
Total noncurrent assets	28,096,404	0
Total assets	52,566,442	6,863,957
DEFERRED OUTFLOW OF RESOURCES		
Deferred insurance plan OPEB	515,819	0
Deferred pension	48,230	0
Total deferred outflows of resources	564,049	0
Total assets and deferred outflows of resources	53,130,491	6,863,957
LIABILITIES		
Current liabilities:		
Accounts payable	712,664	0
Accrued liabilities	228,762	0
Unearned tuition and fees	266,023	0
Accrued compensated absences	162,515	0
College payable - gifts held for investment	0	1,940,057
Bonds and debt certificates payable, net	1,995,180	0
Total current liabilities	3,365,144	1,940,057
Noncurrent liabilities:		
Accrued compensated absences	81,257	0
OPEB liability	7,902,056	0
Bonds and debt certificates payable, net	5,102,560	0
Total noncurrent liabilities	13,085,873	0
Total liabilities	16,451,017	1,940,057
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	3,667,864	0
Deferred grant revenue	1,288	0
Deferred OPEB	680,682	0
Total deferred inflows of resources	4,349,834	0
Total liabilities and deferred inflows of resources	20,800,851	0
NET POSITION / NET ASSETS		
Net investment in capital assets	24,313,745	0
Restricted for:		
Nonexpendable, scholarships	0	2,793,424
Expendable:		
Scholarships and grants	80	1,534,099
Capital projects	5,728,816	0
Debt service	813,043	0
Working cash	2,213,240	0
Unrestricted	(739,284)	596,377
Total net position / net assets	\$32,329,640	\$4,923,900

See Notes to Financial Statements.

Sauk Valley Community College District 506

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

For the year ended June 30, 2018

	Primary Institution Business-Type Activities	Component Unit Foundation
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$2,424,338	\$2,772,093	\$0
Auxiliary enterprises revenue	192,276	0
Contributions	0	1,425,648
Other	0	21,031
Total operating revenue	2,964,369	1,446,679
Operating expenses:		
Instruction	7,031,943	0
Academic support	1,706,872	0
Student services	2,065,252	0
Public services	1,158,802	0
Auxiliary services	622,193	0
Operation and maintenance of plant	1,805,515	0
Institutional support	4,089,461	256,762
Scholarships, student grants, and waivers	2,672,351	412,419
Depreciation expense	1,152,965	0
Total operating expenses	22,305,354	669,181
Operating income (loss)	(19,340,985)	777,498
Nonoperating revenues (expenses):		
State grants	6,691,381	0
Federal grants	4,463,469	0
Property taxes	7,172,467	0
Personal property replacement tax	413,679	0
Local grants	0	0
Investment income	127,146	393,095
Other nonoperating revenues	345,288	0
Interest expense	(55,836)	0
Net nonoperating revenues (expenses)	19,157,594	393,095
Change in net position / net assets	(183,391)	1,170,593
Net position / net assets:		
Beginning of year, as previously reported	39,824,369	3,753,307
Prior period adjustment	(7,311,338)	0
Beginning of year, as restated	32,513,031	3,753,307
End of year	\$32,329,640	\$4,923,900

See Notes to Financial Statements.

Sauk Valley Community College District 506

Statement of Cash Flows

For the year ended June 30, 2018

	<u>Primary Institution</u> <u>Business-Type</u> <u>Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	\$5,186,132
Payments to suppliers	(4,401,402)
Payments to employees	(8,609,883)
Payments to students for scholarships	(5,096,689)
Auxiliary enterprise charges	192,276
Net cash used in operating activities	(12,729,566)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Proceeds from property taxes	7,202,034
Proceeds from grants	9,573,159
Net cash provided by noncapital financing activities	16,775,193
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of capital assets	(2,216,671)
Proceeds from issuance of long-term debt	5,025,000
Principal paid on bonds payable	(955,000)
Interest paid on bonds payable and other long-term obligations	(101,016)
Net cash provided by (used in) capital and related financing activities	1,752,313
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	115,572
Proceeds from maturities of investment securities	2,667,168
Purchases of investment securities	(8,325,527)
Net cash provided by (used in) investing activities	(5,542,787)
Net increase (decrease) in cash and cash equivalents	255,153
CASH AND CASH EQUIVALENTS:	
Beginning of year	2,178,715
End of year	\$2,433,868

See Notes to Financial Statements.

Sauk Valley Community College District 506

Statement of Cash Flows (Continued)

For the year ended June 30, 2018

	<u>Primary Institution</u> <u>Business-Type</u> <u>Activities</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED	
IN OPERATING ACTIVITIES:	
Operating loss	(\$19,340,985)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,152,965
State on-behalf payments for fringe benefits	4,602,095
Changes in assets and liabilities:	
Inventory	712
Prepaid expenses	220,746
Receivables	(98,852)
Deferred outflows of resources	(530,086)
Accounts payable	(24,743)
Accrued liabilities	(36,822)
Accrued compensated absences	(34,549)
OPEB liability	590,718
Deferred inflows of resources	680,682
Unearned tuition and fees	88,553
Net cash used in operating activities	(\$12,729,566)
NONCASH INVESTING, CAPITAL, AND FINANCIAL:	
Increase (decrease) in fair value of investments and amortization/accretion	(\$3,069)
Acquisition of capital assets using accounts payable	\$448,500
STATE ON-BEHALF PAYMENTS	\$4,602,095

See Notes to Financial Statements.

Sauk Valley Community College District 506

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 (the "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.

Financial report 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 fundraising organization to supplement the resources that are available to the College in support of its programs. 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 to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standard Board (FASB) Statements. Most significant accounting policies to the Foundation's operations and reporting model are described by FASB's issued guidance. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences; however, significant note disclosures (see Note 10) to the Foundation's financial statements have been incorporated into the College's notes to the financial statements.

Financial statements for the Foundation can be obtained at 173 Illinois Route 2, Dixon, Illinois 61021.

Sauk Valley Community College District 506

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 uses are 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:

New Accounting Pronouncement

Management adopted new accounting guidance GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB No. 75 replaces the requirements of GASB Statement No. 45 on Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. See Note 13 for the restatement of beginning net position.

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.

Receivables

All property tax, student tuition and governmental claims and grant receivables are expected to be received within one year. Governmental claims and grants are from state funding agencies. The College has a reserve of \$72,000 for uncollectible student tuition and fees. The College wrote off approximately \$37,000 of tuition and fees during the year ended June 30, 2018.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Property taxes

The College's property tax is levied each year on all taxable real property located in the College district. Property taxes are recorded on an accrual basis of accounting. Pursuant to the Board's resolution, the property tax levy passed in November 2016 and 2017 were allocated fifty percent for each of the two years after the levy year.

Property taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to the taxing bodies their respective share of collections. Taxes levied in one year become due and payable in two installments during the following year, generally on June 1st and September 1st. Taxes must be levied by the last Tuesday in December for the following collection year. The levy becomes an enforceable lien against the property as of January 1 of the levy year.

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.

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 their acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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/Net Assets 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

Unearned tuition and fee revenue

Tuition and fee revenues received and related to the period after June 30 are reported as unearned.

Long-term debt

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position/net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded in other assets or liabilities.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

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.

Other Post-Employment (“OPEB”) Obligations

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

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

Deferred inflows and outflows of resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections, deferred inflows and outflows of resources, which represent acquisitions or losses of net position that applies to future periods and so will not be recognized as an inflow (revenue) or outflow (expense) of resources until that time.

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 reported as nonoperating expenses.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Federal financial assistance programs

The College participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Federal Direct Loan programs. Federal programs are audited in accordance with the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996, the U.S. Office of Management and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Uniform Guidance Compliance Supplement.

On-behalf payments for fringe benefits and salaries

Contributions made by the State of Illinois relating to the State Universities Retirement Systems and College Insurance Plan on behalf of the College's employees are recognized by the College as revenues and expenses. In fiscal years 2018 and 2017, the state made contributions of \$4,602,095 and \$4,859,900, respectively (Note 5 and 6).

Pensions

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

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

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.

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.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in fund equity during the reporting period. Material estimates that are particularly susceptible to significant change in the near term relate to depreciation on capital assets, allowance for doubtful accounts, and the fair value of investments. Actual results could differ from those estimates.

Note 2 Cash and Investments

The College's cash and deposits throughout the year and at year-end consisted of demand deposit accounts and certificates of deposit. The College classifies these accounts between cash and deposits on the combined balance sheet according to liquidity and intended use.

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

	Carrying Amount
Cash on hand	\$1,200
Deposits with financial institutions	5,435,276
Total	\$5,436,476

The College is allowed to invest in securities as authorized by the Illinois Public Community College Act and the Illinois Investment of Public Funds Act.

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 limits investment maturities to remain sufficiently liquid to meet all operating requirements as a means of managing its exposure to fair value losses arising from increasing interest rates.

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.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 2 Cash and Investments (continued)

As of June 30, 2018, the College had the following investments with stated maturities at fair value:

	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
Money market	\$6,395,647	\$6,395,647	\$0	\$0	\$0
Local government investment pool	2,805,007	2,805,007	0	0	0
Certificate of deposit	3,434,702	2,217,503	1,217,199	0	0
U.S. Government agency securities	565,540	0	0	0	565,540
Pooled Foundation investment	1,940,057	1,940,057	0	0	0
Total	\$15,140,953	\$13,358,214	\$1,217,199	\$0	\$565,540

As of June 30, 2018, the College had the following investments with stated ratings at fair value:

	Total	Investment Ratings by Standard & Poor's			
		AAA	AA	A	Unrated
Money market	\$6,395,647	\$5,835,914	\$0	\$0	\$559,733
Local government investment pool	2,805,007	2,805,007	0	0	0
Certificate of deposit	3,434,702	0	0	0	3,434,702
U.S. Government agency securities	565,540	0	565,540	0	0
Pooled Foundation investment	1,940,057	0	0	0	1,940,057
Total	\$15,140,953	\$8,640,921	\$565,540	\$0	\$5,934,492

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, 2018, the bank balances of the College's deposits were \$5,638,356. The College had pledged securities of \$3,870,813, FDIC coverage of \$1,750,000, and under collateralized deposits of \$17,543.

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 and approved written agreement. At June 30, 2018, none of the College's investment securities are subject to custodial credit risk.

Concentration Risk. Concentration risk is the risk associated with having more than 5 percent of investments in any issuer, other than the U.S. Government. The College has no investments that represent 5 percent or more of the total investments.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The College does not have a foreign currency risk policy. The College does not have any investments with foreign currency risk exposure.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 3 Capital Assets

A summary of the changes in capital assets for the College for the year ended June 30, 2018, is as follows:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Nondepreciable assets:					
Land	\$162,651	\$0	\$0	\$0	\$162,651
Construction in progress	785,865	1,377,617	0	(785,865)	1,377,617
	948,516	1,377,617	0	(785,865)	1,540,268
Depreciable assets:					
Land improvements	2,689,521	14,049	0	0	2,703,570
Buildings	29,645,659	510,188	0	785,865	30,941,712
Equipment	7,198,790	314,817	(32,369)	0	7,481,238
	39,533,970	839,054	(32,369)	785,865	41,126,520
Less accumulated depreciation:					
Land improvements	1,034,412	53,814	0	0	1,088,226
Buildings	8,043,432	593,043	0	0	8,636,475
Equipment	6,154,683	506,108	(32,369)	0	6,628,422
	15,232,527	1,152,965	(32,369)	0	16,353,123
Depreciable assets, net	24,301,443	(313,911)	0	785,865	24,773,397
Capital assets, net	\$25,249,959	\$1,063,706	\$0	\$0	\$26,313,665

Note 4 Long-Term Debt

The College issued general obligation bonds dated December 23, 2014 in the amount of \$3,885,000. The issue provides for serial retirement of principal on February 1 of each year starting in 2017 through 2020 with interest due February 1 and August 1, with an interest rate of 3%.

The College issued Series 2018A general obligation debt certificates dated June 26, 2018 in the amount of \$2,500,000. The College also issued Series 2018B general obligation debt certificates dated June 26, 2018 in the amount of \$2,525,000. The Series 2018A issue provided for serial retirement of principal on June 1 of each year starting in 2019 through 2021 with interest due June 1 and December 1, with an interest rate of 2.8%. The Series 2018B issue provided for serial retirement of principal on June 1 of each year starting in 2021 through 2023 with interest due June 1 and December 1, with an interest rate of 5%.

The following is a summary of the long-term debt activity for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Payments	Balance June 30, 2018	Due Within One Year
Long-term debt:					
General obligation bonds	\$2,955,000	\$0	\$955,000	\$2,000,000	\$985,000
Bond premiums (discounts)	117,920	0	45,180	72,740	45,180
Debt certificates	0	5,025,000	0	5,025,000	965,000
Compensated absences	278,321	210,607	245,156	243,772	162,515
Totals	\$3,351,241	\$5,235,607	\$1,245,336	\$7,341,512	\$2,157,695

Sauk Valley Community College District 506

Notes to Financial Statements

Note 4 Long-Term Debt (continued)

Details on the debt as of June 30, 2018 are as follows:

- The College issued general obligation bonds dated December 23, 2014 in the amount of \$3,885,000. The issue provides for serial retirement of principal on February 1 of each year starting in 2017 through 2020 with interest due February 1 and August 1, with an interest rate of 3%. 100% of the bond proceeds were used for the purchase of capital assets. The annual debt service requirements on these bonds are due as follows:

Series 2014 General Obligation Bond Fiscal year ending June 30,	Principal	Interest	Total
2019	\$985,000	\$60,000	\$1,045,000
2020	1,015,000	30,450	1,045,450
Totals	\$2,000,000	\$90,450	\$2,090,450

- The College issued Series 2018A general obligation debt certificates dated June 26, 2018 in the amount of \$2,500,000. The College also issued Series 2018B general obligation debt certificates dated June 26, 2018 in the amount of \$2,525,000. The Series 2018A issue provided for serial retirement of principal on June 1 of each year starting in 2019 through 2021 with interest due June 1 and December 1, with an interest rate of 2.8%. The Series 2018B issue provided for serial retirement of principal on June 1 of each year starting in 2021 through 2023 with interest due June 1 and December 1, with an interest rate of 5%. 100% of the bond proceeds will be used for the purchase of capital assets. However, as of June 30, 2018, 0% had been used. The annual debt service requirements on these bonds are due as follows:

Series 2018A General Obligation Debt Certificate Fiscal year ending June 30,	Principal	Interest	Total
2019	\$965,000	\$59,813	\$1,024,813
2020	970,000	42,980	1,012,980
2021	565,000	15,820	580,820
Total debt maturities	\$2,500,000	\$118,613	\$2,618,613

Series 2018B General Obligation Debt Certificate Fiscal year ending June 30,	Principal	Interest	Total
2019	\$0	\$95,550	\$95,550
2020	0	126,250	126,250
2021	435,000	126,250	561,250
2022	1,030,000	104,500	1,134,500
2023	1,060,000	53,000	1,113,000
Total debt maturities	\$2,525,000	\$505,550	\$3,030,550

Sauk Valley Community College District 506

Notes to Financial Statements

Note 4 Long-Term Debt (continued)

The annual requirements to amortize all debt outstanding as of June 30, 2018, including interest, are as follows:

Year Ending June 30,	General Obligation Bonds	General Obligation Certificates	Compensated Absences	Total Principal	Interest	Total Principal And Interest
2019	\$985,000	\$965,000	\$162,515	\$2,112,515	\$215,363	\$2,327,878
2020	1,015,000	970,000	81,257	2,066,257	199,680	2,265,937
2021	0	1,000,000	0	1,000,000	142,070	1,142,070
2022	0	1,030,000	0	1,030,000	104,500	1,134,500
2023	0	1,060,000	0	1,060,000	53,000	1,113,000
Total	\$2,000,000	\$5,025,000	\$243,772	\$7,268,772	\$714,613	\$7,983,385

The following is a schedule of the legal debt margin of the College as of June 30, 2018:

Assessed valuation – 2017 levy	\$1,712,598,380
Debt limit – 2.875% of assessed valuation	49,237,203
Less indebtedness	(7,025,000)
Legal debt margin, June 30, 2018	\$42,212,203

Note 5 Defined Benefit Pension Plans

General Information about the Pension Plan

Plan Description. The College contributes to the State Universities Retirement System of Illinois, a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State of Illinois (the State) makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Chapter 40, Act 5, Article 15 of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org.

Benefits Provided. A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2017 can be found in the System's comprehensive annual financial report (CAFR) Notes to the Financial Statements.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 5 Defined Benefit Pension Plans (continued)

General Information about the Pension Plan (continued)

Contributions. The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from “trust, federal, and other funds” are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2017 and 2018 respectively, was 12.53% and 12.46% of employee payroll. The normal cost is equal to the value of current year’s pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15-139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of “affected annuitants” or specific return to work annuitants) and Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

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

Net Pension Liability.

The net pension liability (NPL) was measured as of June 30, 2017. At June 30, 2017, SURS reported a net pension liability (NPL) of \$25,481,105,995.

Employer Proportionate Share of Net Pension Liability.

The amount of the proportionate share of the net pension liability to be recognized for the College is \$0. The proportionate share of the State’s net pension liability associated with the College is \$48,210,253 or 0.1892%. This amount should not be recognized in the financial statement. The net pension liability and total pension liability as of June 30, 2017 was determined based on the June 30, 2016 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2017.

Pension Expense.

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

Employer Proportionate Share of Pension Expense.

The employer proportionate share of collective pension expense should be recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2017. As a result, the College recognized on-behalf revenue and pension expense of \$4,565,241 for the fiscal year ended June 30, 2018.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 5 Defined Benefit Pension Plans (continued)

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

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

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

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$139,193,227	\$1,170,771
Changes in assumption	205,004,315	259,657,577
Net difference between projected and actual earnings on pension plan investments	94,620,827	0
Total	\$438,818,369	\$260,828,348

Note 5 Defined Benefit Pension Plans (continued)

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

Year Ending June 30	Net Deferred Outflows of Resources
2018	\$55,589,850
2019	187,874,276
2020	90,475,551
2021	(155,949,656)
2022	0
Thereafter	0
Total	\$177,990,021

Employer Deferral of Fiscal Year 2018 Pension Expense

The College paid \$48,230 in federal, trust or grant contributions for the fiscal year ended June 30, 2018. These contributions were made subsequent to the pension liability date of June 30, 2017 and are recognized as Deferred Outflows of Resources as of June 30, 2018.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 5 Defined Benefit Pension Plans (continued)

Assumptions and Other Inputs

Actuarial assumptions. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period June 30, 2010 – 2014. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	23%	6.08%
Private Equity	6%	8.73%
Non-U.S. Equity	19%	7.34%
Global Equity	8%	6.85%
Fixed Income	19%	1.38%
Treasury-Inflation Protected Securities	4%	1.17%
Emerging Market Debt	3%	4.14%
Real Estate REITS	4%	5.75%
Direct Real Estate	6%	4.62%
Commodities	2%	4.23%
Hedged Strategies	5%	3.95%
Opportunity Fund	<u>1%</u>	<u>6.71%</u>
Total	100%	5.20%
Inflation		<u>2.75%</u>
Expected Arithmetic Return		7.95%

Sauk Valley Community College District 506

Notes to Financial Statements

Note 5 Defined Benefit Pension Plans (continued)

Discount Rate. A single discount rate of 7.09% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.56% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System’s funding policy. Based on these assumptions, the pension plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the System’s Net Pension Liability to Changes in the Discount Rate. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan’s net pension liability, calculated using a single discount rate of 7.09%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1- percentage-point higher:

1% Decrease 6.09%	Current Single Discount Rate Assumption 7.09%	1% Increase 8.09%
\$30,885,146,279	\$25,481,105,995	\$20,997,457,586

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at www.SURS.org.

Note 6 Other Post-Employment Benefits

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

Sauk Valley Community College District 506

Notes to Financial Statements

Note 6 Other Post-Employment Benefits (continued)

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

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

Contributions. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.10) requires every active contributor of the State Universities Retirement System (SURS), who is a full-time employee of a community college district or an association of community college boards, to make contributions to the plan at the rate of 0.5% of the salary. The same section of statute requires every community college district or association of community college boards that is an employer under the SURS, to contribute to the plan an amount equal to 0.5% of the salary paid to its full-time employees who participate in the plan. The State Pension Funds Continuing Appropriate Act (40 ILCS 15/1.4) requires the State to make an annual appropriation to the fund in an amount certified by the SURS Board of Trustees. The State Employees Group Insurance Act of 1071 (5 ILCS 375/6.9) requires the Director of the Department to determine the rates and premiums for annuitants and dependent beneficiaries and establish the cost-sharing parameter, as well as funding. At the option of the board of trustees, the college districts may pay all or part of the balance of the cost of coverage for retirees from their district. Administrative costs are paid by the CCHISF.

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

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

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

Sauk Valley Community College District 506

Notes to Financial Statements

Note 6 Other Post-Employment Benefits (continued)

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

Employer Proportionate Share of Net OPEB Liability. The amount of the proportionate share of the net OPEB liability to be recognized for the College is \$7,902,056 or 0.4333%. This amount is recognized in the financial statement. The change in the College's proportionate net OPEB liability was an increase of 0.0316%. The proportionate share of the State's net OPEB liability associated with the College is \$7,797,981. The total proportionate share of the net OPEB liability associated with the College is \$15,700,037. The net OPEB liability and total OPEB liability as of June 30, 2018 was determined based on the June 30, 2017 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net OPEB liability is the actual reported OPEB contributions made to CIP during fiscal year 2017.

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

Employer Proportionate Share of OPEB Expense. The employer proportionate share of collective OPEB expense should be recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective OPEB expense is the actual reported OPEB contributions made to CIP during fiscal year 2017. As a result, the College recognized on-behalf revenue of \$36,854 and OPEB expense of \$755,581 for the fiscal year ended June 30, 2018.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$0	\$22,364
Changes in assumption	0	658,235
Net difference between projected and actual earnings on OPEB plan investments	0	83
Changes in proportion and differences between employer contributions and share of contributions	478,965	0
Total deferred amounts to be recognized in pension expense in future periods	478,965	680,682
OPEB contributions made subsequent to the measurement date	36,854	0
Total	\$515,819	\$680,682

Sauk Valley Community College District 506

Notes to Financial Statements

Note 6 Other Post-Employment Benefits (continued)

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

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

<u>Year ended June 30:</u>	<u>Net Deferred Inflows of Resources</u>
2019	(\$33,620)
2020	(33,620)
2021	(33,620)
2022	(33,620)
2023	(33,620)
2024	(33,617)
<hr/>	<hr/>
Total	(\$201,717)

Employer Deferral of Fiscal Year 2018 OPEB Expense

The College paid \$36,854 CIP contributions for the fiscal year ended June 30, 2018. These contributions were made subsequent to the OPEB liability date of June 30, 2017 and are recognized as Deferred Outflows of Resources as of June 30, 2018.

Assumptions and Other Inputs

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

Inflation	2.75%
Salary increases	Depends on service and ranges from 10.00% at less than 1 year of service to 3.75% at 34 or more years of service. Salary increase includes a 3.75% wage inflation assumption.
Investment rate of return	0%, net of OPEB plan investment expense, including inflation

Sauk Valley Community College District 506

Notes to Financial Statements

Note 6 Other Post-Employment Benefits (continued)

Assumptions and Other Inputs (continued)

Healthcare cost trend rates

Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.00% for non-Medicare costs and post-Medicare costs, respectively, and gradually decreases to an ultimate trend of 4.5%. Additional trend rate of 0.52% is added to non-Medicare cost on and after 2020 to account for the Excise Tax.

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

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

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

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

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

Sauk Valley Community College District 506

Notes to Financial Statements

Note 6 Other Post-Employment Benefits (continued)

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

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

Sensitivity of Net OPEB Liability as of June 30, 2017 to the Single Discount Rate Assumption

	1% Decrease (2.56%)	Current Single Discount Rate Assumption (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$2,085,622,937	\$1,823,636,960	\$1,597,770,691

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

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

Sensitivity of Net OPEB Liability as of June 30, 2017 to the Healthcare Cost Trend Rate Assumption

	1% Decrease (a)	Healthcare Cost Trend Rates Assumption	1% Increase (b)
Net OPEB liability	\$1,512,891,678	\$1,823,636,960	\$2,273,321,981

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

Sauk Valley Community College District 506

Notes to Financial Statements

Note 7 Fair Value Measurements

Current accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy, as described under current accounting standards, are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or inputs other than quoted prices that are observable for the asset or liability.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table presents the College's approximate fair value hierarchy for the assets measured at fair value on a recurring basis as of June 30, 2018:

	Total	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value on a recurring basis:				
Certificates of deposit	\$3,434,802	\$0	\$3,434,702	\$0
U.S. Government agency securities	565,540	0	565,540	0
Pooled Foundation investment	1,940,057	0	0	1,970,047
Total investments	\$5,940,299	\$0	\$4,000,242	\$1,940,057

Reconciliation of assets measured using Level 3 inputs as of June 30, 2018:

Balance, beginning of year	\$1,940,057
Gains (Losses)	133,567
Distributions and fees	(133,567)
Balance, end of year	\$1,940,057

Sauk Valley Community College District 506

Notes to Financial Statements

Note 7 Fair Value Measurements (continued)

The following methods and assumptions were used to estimate the fair value for the level 3 financial instrument measured at fair value.

Pooled Foundation Investment: On August 31, 2014, the College transferred approximately \$1.9 million to the Foundation to manage on behalf of the College pursuant to an agreement dated November 25, 2014. The College has entered into a "Gift Transfer and Management Agreement" with the Foundation to manage, invest, and otherwise hold all gifts for the benefit of the College. The corpus of the gifts shall be invested and held in a manner so that the corpus of the gifts are identifiable and distinguishable from the Foundation's other holdings. The Foundation may use the investment income generated from the gifts for any purpose consistent with the Foundation articles of incorporation and by-laws.

Note 8 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 2018, the College paid approximately \$110,491 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 health plan which is accounted for in the Auxiliary Fund. The College is responsible for the first \$80,000 of covered medical expenses for each insured employee and covered family member and there is an unlimited maximum benefit per individual per life time. The College has accrued a liability of \$3,215, \$178,823, and \$63,745 as of June 30, 2018, 2017, and 2016, respectively, for claims incurred and reported as well as an estimate of claims incurred but not reported. As of July 1, 2017, the College switched to a fully insured health coverage plan. Liabilities remaining are for expenses incurred before July 1, 2017.

	2018	2017	2016
Balance, July 1	\$178,823	\$63,745	\$115,453
Claims incurred	124,889	3,191,665	1,895,764
Claims paid	(300,497)	(3,076,587)	(1,947,472)
Balance, June 30	\$3,215	\$178,823	\$63,745

Sauk Valley Community College District 506

Notes to Financial Statements

Note 9 Impact of Pending Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations and requires the current value of a government's asset retirement obligations to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The College has not determined the effect of this Statement.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The College has not determined the effect of this Statement.

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

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

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

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

Sauk Valley Community College District 506

Notes to Financial Statements

Note 10 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 and fellowships for students, and endowments for the College for items having educational, artistic, historical, literary, or other cultural value.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis.

Financial Statement Presentation

The financial statements separately identify the net assets of the Foundation according to the legal restrictions placed on the assets by donors as follows:

Unrestricted Net Assets – Includes net assets that are not restricted by donor-imposed stipulations which can be used at the discretion of the Foundation's Board to accomplish the purposes for which the Foundation was founded.

Temporarily Restricted Net Assets – Includes net assets that are temporarily restricted by donor-imposed stipulations that require the Foundation to expend the resources either for a particular purpose or after the expiration of a certain period of time. As donor-imposed stipulations are satisfied, the related net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Includes net assets that are permanently restricted by the donors and cannot be expended.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 10 Component Unit (continued)

Summary of Significant Accounting Policies (continued)

Contributions and Revenues

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at fair value at the date of the donation.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. As of June 30, 2018, promises to give were \$502,354.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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 statements of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 10 Component Unit (continued)

Summary of Significant Accounting Policies (continued)

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, 2015.

Cash and Cash Equivalents

The Foundation considers all liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents. The Foundation maintains its general cash accounts in one financial institution located in Dixon, Illinois. Those balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Certificates of Deposit

The Foundation holds non-brokered certificates of deposit which are carried at cost.

Investments and Investment Earnings

Investments consist primarily of assets invested in alternative investments and marketable equity securities. Investments in equity securities with readily determinable fair values are measured at the fair value in the statement of financial position. Alternative investments are measured at the net asset value per share as a practical expedient in the statement of financial position. Investment income or loss is included in the statement of activities as an increase or decrease in unrestricted net assets unless the income or loss is restricted by donor or law.

Donated Services

Donated services are to be recognized in the financial statements. The services must either (a) create or enhance a non-financial asset or (b) be specialized skills, provided by entities or persons possessing those skills that would be purchased if not donated. The Foundation receives donated services generally in the form of contributed time by volunteers. However, these donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services. Donated services funded by the College are recognized in the financial statements and included in supporting services.

Funds Held for Others

As a service to the Sauk Valley Community College, the Foundation permits the College to deposit its own funds with the Foundation for investment. The College established the fund for its own benefit and is classified by the Foundation as a liability. The Foundation maintains variance power and legal ownership of the funds based on the agency and intermediary agreements and as such continues to report the funds as assets of the Foundation.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 10 Component Unit (continued)

Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Foundation has evaluated subsequent events through October 10, 2018 which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2018 have been incorporated herein. There are no other subsequent events that require disclosure.

Accounting Standards Update

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

Investments:

Interest, dividends, realized and unrealized gains and losses attributable to investments have been distributed based on each fund's percentage holdings of that investment. All investments are through an investment pool called Commonfund which carries funds at fair market value. The investments at June 30, 2018 consisted of the following:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Multi-Strategy Equity Funds	\$3,332,637	\$2,537,026	\$795,611
Multi-Strategy Bond Funds	1,666,544	1,713,622	(47,078)
Publicly traded equities	1,497	0	1,497
	\$5,000,678	\$4,250,648	\$750,030

Sauk Valley Community College District 506

Notes to Financial Statements

Note 10 Component Unit (continued)

Investments (continued)

The following schedule summarizes the investment return and its classification in the Statements of Activities for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$51,160	\$50,870	\$197	\$102,227
Unrealized gains (losses)	132,425	154,709	0	287,134
Realized gains (losses)	1,142	2,585	7	3,734
Total	\$184,727	\$208,164	\$204	\$393,095

Endowment Funds:

The Foundation's endowment consists of approximately 50 donor-restricted individual funds established to be maintained permanently with earnings to be used for a variety of purposes.

The Foundation follows the laws prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA establishes law for the management and investment of donor-restricted endowment funds.

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 standards 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

Sauk Valley Community College District 506

Notes to Financial Statements

Note 10 Component Unit (continued)

Endowment Funds (continued)

Investment income generated by the Foundation's endowment funds are used to benefit each endowment's intended purpose and accordingly, investment losses are recognized in the Foundation's unrestricted net assets.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Donor-restricted endowment funds	\$0	\$684,434	\$2,793,422	\$3,477,856

Changes in endowment net assets as of June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Endowment net assets, beg of year	\$0	\$618,466	\$2,118,357	\$2,736,823
Investment return:				
Interest income	0	14,244	197	14,441
Net appreciation (realized and unrealized) on investments	0	156,409	7	156,416
Total investment return	0	170,653	204	170,857
Contributions	0	8,137	660,934	669,071
Reclassification per donor agreement	0	0	13,929	13,929
Appropriation of endowment assets for expenditure	0	(112,822)	0	(112,822)
Endowment net assets, end of year	\$0	\$684,434	\$2,793,424	\$3,477,858

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, 2018.

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.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 10 Component Unit (continued)

Endowment Funds (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investments 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.

Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

<u>Student scholarships, awards and College support</u>	<u>\$1,534,099</u>
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Permanently Restricted Net Assets:

Permanently restricted net assets are restricted to be held as investments, with a portion of earnings to be added to permanently restricted net assets and a portion of earnings to be used for scholarships and awards to students as well as College support. Earnings which are used for scholarships to students are temporarily restricted until such earnings are used for scholarships to students as specified by the donor, at which time they are reclassified as unrestricted. As of June 30, 2018, permanently restricted net assets totaled \$2,793,424.

Net Assets Released:

The Foundation reports gifts or cash as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the purpose of the restriction is accomplished, temporarily and permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the years ended June 30, 2018 for scholarships, awards and College support totaled \$419,281.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 10 Component Unit (continued)

Pledges Receivable:

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. The breakdown of pledges receivable as of June 30, 2018 is as follows:

<u>Due in one year or less</u>	<u>\$502,354</u>
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Funds Held for Others:

The Foundation invests, under a fiduciary agreement with the Sauk Valley Community College, in an agent capacity. Transactions in funds held for others are summarized as follows:

Additions:	
Net realized gains (losses)	\$1,142
Net unrealized gains (losses)	132,425
	<u>133,567</u>
Deductions:	
Distributions to Foundation	(133,567)
	<u>0</u>
Change in funds held for others	0
Balance, beginning of year	1,940,057
	<u>1,940,057</u>
Balance, end of year	<u>\$1,940,057</u>

Fair Value of Financial Instruments:

Current accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy, as described under current accounting standards, are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 10 Component Unit (continued)

Fair Value of Financial Instruments (continued)

The fair value of investments in investment companies have a value of their capital account or net asset value calculated in accordance with, or in a manner consistent with U.S. generally accepted accounting principles (referred to as NAV). As a practical expedient, the Foundation is permitted under U.S. GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U.S. GAAP. The Foundation's investments in Commonfund's multi-strategy equity fund and multi-strategy bond fund in the alternative investment portfolio are generally valued based on the most current NAV received, adjusted for cash flows when the reported NAV is not at the measurement date. The Foundation adopted FASB Accounting Standards Update No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, and therefore is not required to assign a level in the hierarchy to investments measured using NAV.

Equity Investments

Investments in equity vehicles are comprised of corporate stocks and daily traded mutual funds. Securities held in corporate stocks and daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

Alternative Investments

The alternative investment portfolio is made up of investments of shares of funds in Commonfund's multi-strategy equity fund and multi-strategy bond fund. The fund managers invest in a variety of securities based on the strategy of the fund. Some of the shares in those multi-strategy funds are traded in an active market. All alternative investments are valued at NAV and are categorized as Level 3.

The following table presents the Foundation's approximate fair value hierarchy for the assets measured at fair value on a recurring basis as of June 30, 2018:

	Total	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value on a recurring basis:				
Publicly traded equities	\$1,497	\$1,497	\$0	\$0
Total	\$1,497	\$1,497	\$0	\$0

Sauk Valley Community College District 506

Notes to Financial Statements

Note 10 Component Unit (continued)

Fair Value of Financial Instruments (continued)

At June 30, 2018, the Foundation's investments valued at net asset value were as follows:

	Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Multi-strategy equity fund	\$3,332,637	Monthly	5 days
Multi-strategy bond fund	1,666,544	Monthly	5 days
Total	\$4,999,181		

The Foundation does not have any unfunded commitments related to the above investments as of June 30, 2018.

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

	Multi-Strategy Equity Fund	Multi-Strategy Bond Fund	Total
Fair Value as of June 30, 2017	\$2,902,670	\$1,637,215	\$4,539,885
Purchases	112,124	74,749	186,873
Fees	(12,646)	(4,913)	(17,559)
Distributions to College	(31,579)	(54,296)	(85,875)
Unrealized gains	362,068	13,789	375,857
Fair Value as of June 30, 2018	\$3,332,637	\$1,666,544	\$4,999,181

Related Parties:

The Foundation is a component unit of Sauk Valley Community College District 506 (College) for financial reporting purposes. The financial balances and activities included in these financial statements are, therefore, also included in the College's financial statements. The College provides office space and support services for the Foundation. The estimated fair value of such in-kind benefits to the Foundation was \$133,176 for the year ended June 30, 2018 and is recognized as both a revenue and expense in the statement of activities. The Foundation paid the College \$230,075 for scholarships during the year ended June 30, 2018.

On April 30, 2010 and 2013, the US Department of Education released the fund restrictions related to the Sauk Valley Community College's Endowment Challenge Grant. On August 31, 2014 the College transferred approximately \$1.9 million to the Foundation to manage on behalf of the College pursuant to an agreement dated November 25, 2014. The Foundation has entered into a "Gift Transfer and Management Agreement" with the College to manage, invest, and otherwise hold all gifts for the benefit of the College. The corpus of the gifts shall be invested and held in a manner so that the corpus of the gifts are identifiable and distinguishable from the Foundation's other holdings. The Foundation may use the investment income generated from the gifts for any purpose consistent with the Foundation articles of incorporation and by-laws. As of June 30, 2018, the Foundation has funds held for others to the College in the amount of \$1,940,057.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 10 Component Unit (continued)

Significant Donations:

In November 2017, the Foundation was notified they were bequeathed \$500,000 on behalf of the Gertrude Puels Trust to be used for scholarships for nursing and electrical engineering students. As of June 30, 2018, the \$500,000 has not been received, but was confirmed as a pledge receivable and is expected to be collected in one year or less.

Note 11 Contingencies and Commitments

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the College expects such amounts, if any, to be immaterial.

Construction Commitments. As of June 30, 2018, the College had two construction projects with commitments.

In March 2018, the College entered into an agreement with Swedberg & Associates for the 2018 Abatement Project. Total budgeted costs for the project are \$650,000, of which roughly \$621,000 is from Swedberg & Associates. As of June 30, 2018, the College had spent \$300,030 related to the project, with the remaining balance of the project to be completed and paid in fiscal year 2019.

In May 2018, the College entered into an agreement with Mechanical Inc. for the boiler replacement project in the amount of \$1,085,175 after change orders. Total budgeted costs for the project total \$1,495,000. As of June 30, 2018, the College had spent \$661,262 related to the project, with the remaining balance of the project to be completed and paid in fiscal year 2019.

Note 12 Related Party Transactions

On April 30, 2010 and 2013, the US Department of Education released the fund restrictions related to the College's Endowment Challenge Grant. On August 31, 2014, the College transferred approximately \$1.9 million to the Foundation to manage on behalf of the College pursuant to an agreement dated November 25, 2014. The College has entered into a "Gift Transfer and Management Agreement" with the Foundation to manage, invest, and otherwise hold all gifts for the benefit of the College. The corpus of the gifts shall be invested and held in a manner so that the corpus of the gifts are identifiable and distinguishable from the Foundation's other holdings. The Foundation may use the investment income generated from the gifts for any purpose consistent with the Foundation articles of incorporation and by-laws. As of June 30, 2018, the College has an Pooled Foundation investment in the amount of \$1,940,057, which is included in the short-term investments balance on the College's statement of net position.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 13 Prior Year Restatement

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

	Business-Type Activities
Balance at July 1, 2017, as previously reported	\$39,824,369
<u>Subtract beginning net OPEB liability</u>	<u>(7,311,338)</u>
<u>Balance at July 1, 2017, as restated</u>	<u>\$32,513,031</u>

Note 14 Subsequent Event

The College has evaluated subsequent events through October 10, 2018 which is the date these financial statements were available to be issued. In September 2018, the College approved the issuance of a General Obligation Community College Series 2018C Bond in the amount of \$5,175,000 to be used for capital projects. As of the audit report date, the issuance of the bonds had not been finalized.

Required Supplementary Information

Sauk Valley Community College District 506

Schedule of Share of Net Pension Liability

Last 10 Fiscal Years

(Schedule to be Built Prospectively from 2014)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Proportion percentage of the collective net pension liability	0%	0%	0%	0%						
Proportion amount of the collective net pension liability	\$0	\$0	\$0	\$0						
Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with the College	\$48,210,253	\$48,793,621	\$46,145,300	\$42,099,735						
College covered-employee payroll	\$6,703,520	\$6,808,441	\$7,131,343	\$7,069,741						
Proportion of collective net pension liability associated with the College as a percentage of covered-employee payroll	719.18%	716.66%	647.08%	595.49%						
SURS plan net position as a percentage of total pension liability	42.04%	39.57%	42.37%	44.39%						

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

Sauk Valley Community College District 506

Schedule of Pension Contributions

Last 10 Fiscal Years

(Schedule to be Built Prospectively from 2014)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Federal, trust, grant and other contribution	\$48,230	\$33,963	\$30,773	\$26,915	\$26,184					
Contribution in relation to required contribution	48,230	33,963	30,773	26,915	26,184					
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0					
College covered-employee payroll	\$6,589,334	\$6,703,520	\$6,808,441	\$7,131,343	\$7,069,741					
Contribution as a percentage of covered - employee payroll	0.73%	0.51%	0.45%	0.38%	0.37%					

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

See Accompanying Notes to Required Supplementary Information.

Sauk Valley Community College District 506

Schedule of Share of Net OPEB Liability

Last 10 Fiscal Years

(Schedule to be Built Prospectively from 2018)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Proportion percentage of the collective net OPEB liability	0.43%	0.40%								
Proportion amount of the collective net OPEB liability	\$7,902,056	\$7,311,338								
Portion of nonemployer contributing entities' total proportion of collective net OPEB liability associated with the College	\$7,797,981	\$7,617,792								
Total collective net OPEB liability associated with the College	\$15,700,037	\$14,929,130								
College covered-employee payroll	\$6,703,520	\$6,808,441								
Proportion of collective net OPEB liability associated with the College as a percentage of covered-employee payroll	234.21%	219.27%								
College insurance plan net position as a percentage of total OPEB liability	-2.87%	-2.15%								

Note: The College implemented GASB No. 75 in fiscal year 2018. The information is presented for as many years as available. The schedule is intended to show information for 10 years.

Sauk Valley Community College District 506

Schedule of OPEB Contributions

Last 10 Fiscal Years

(Schedule to be Built Prospectively from 2018)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$37,593	\$36,410								
Contribution in relation to the required statutorily	37,593	36,410								
Contribution deficiency (excess)	\$0	\$0								
College covered-employee payroll	\$6,539,334	\$6,703,520								
Contribution as a percentage of covered-employee payroll	0.57%	0.54%								

Note: The College implemented GASB No. 75 in fiscal year 2018. The information is presented for as many years as available. The schedule is intended to show information for 10 years.

Sauk Valley Community College District 506

Notes to Required Supplementary Information

Note 1 Changes of Pension Benefit Terms:

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

Note 2 Changes of Pension Assumptions:

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

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

Note 3 Changes of OPEB Benefit Terms:

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

Note 4. Changes of OPEB Assumptions:

In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of CIP. An experience review for the years June 30, 2010 to June 30, 2014, resulting in the adoption of new assumptions as of June 30, 2017. There are no changes of assumptions that affect measurement of the total collective OPEB liability since the prior measurement date.

Supplemental Financial Information

Sauk Valley Community College District 506

Supplemental Financial Information Section

Uniform Financial Statements

The Uniform Financial Statements are required by the Illinois Community College Board for the purpose of providing consistent audited data for every community college district. Regardless of the basis of accounting used for a College's Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net position, the Uniform Financial Statements are completed using the modified accrual basis of accounting and a current financial resource measurement focus.

The Uniform Financial Statements include the following:

- No. 1 - All Funds Summary
- No. 2 - Summary of Fixed Assets and Debt
- No. 3 - Operating Funds Revenues and Expenditures
- No. 4 - Restricted Purposes Fund Revenues and Expenditures
- No. 5 - Current Funds Expenditures by Activity

Certificate of Chargeback Reimbursement

- No. 6 - Certificate of Chargeback Reimbursement

Sauk Valley Community College District 506

Uniform Financial Statement #1

All Funds Summary

For the year ended June 30, 2018

	Education Fund	Operations and Maintenance Fund	Operations and Maintenance Fund (Restricted)	Bond and Interest Fund
Fund balance (deficit) at July 1, 2017	\$7,165,693	\$25,633	\$2,431,265	\$796,741
Revenue:				
Local taxes	4,850,261	547,289	836,103	1,045,783
All other local government	0	0	0	0
ICCB grants	1,398,570	154,600	0	0
All other state revenue (Including SURS On-Behalf)	0	0	0	0
Federal revenue	1,194	0	0	0
Student tuition and fees	4,484,805	473,531	0	0
All other revenue	244,960	38,621	123,893	2,981
Total revenue	10,979,790	1,214,041	959,996	1,048,764
Expenditures:				
Instruction	4,549,109	0	197,672	0
Academic support	1,176,493	0	58,237	0
Student services	1,077,184	0	0	0
Public service	415,739	0	0	0
Auxiliary services	22,001	0	0	0
Operation and maintenance	0	1,226,615	4,293	0
Institutional support	2,046,072	0	194,593	750
Scholarships, student grants, and waivers	899,912	0	0	0
Principal retirement	0	0	0	955,000
Interest	0	0	0	76,712
Debt issuance costs	0	0	24,304	0
Building construction, building improvements, and equipment	4,000	0	2,208,346	0
Total expenditures	10,190,510	1,226,615	2,687,445	1,032,462
Other financing sources (uses):				
Proceeds from issuance of long-term debt	0	0	5,025,000	0
Transfers in	0	16,427	0	0
Transfers out	(47,608)	(3,854)	0	0
	(47,608)	12,573	5,025,000	0
Fund balance (deficit) at June 30, 2018	\$7,907,365	\$25,632	\$5,728,816	\$813,043

Sauk Valley Community College District 506

Uniform Financial Statement #1

All Funds Summary

(Continued)

For the year ended June 30, 2018

	Auxiliary Enterprise Fund	Restricted Purpose Fund	Working Cash Fund	Trust and Agency Fund
Fund balance (deficit) at July 1, 2017	\$660,651	\$51,880	\$2,160,900	\$0
Revenue:				
Local taxes	0	0	0	0
All other local government	0	0	0	0
ICCB grants	0	119,001	0	0
All other state revenue (Including SURS On-Behalf)	0	5,019,210	0	0
Federal revenue	0	4,462,275	0	0
Student tuition and fees	280,719	0	0	0
All other revenue	1,817,866	152,640	17,305	0
Total revenue	2,098,585	9,753,126	17,305	0
Expenditures:				
Instruction	0	2,276,587	0	0
Academic support	0	472,142	0	0
Student services	0	988,068	0	0
Public service	0	743,063	0	0
Auxiliary services	2,314,172	61,118	0	0
Operation and maintenance	0	365,269	0	0
Institutional support	0	697,577	0	0
Scholarships, student grants, and waivers	0	4,196,777	0	0
Principal retirement	0	0	0	0
Interest	0	0	0	0
Debt issuance costs	0	0	0	0
Building construction, building improvements, and equipment	0	4,325	0	0
Total expenditures	2,314,172	9,804,926	0	0
Other financing sources (uses):				
Proceeds from issuance of long-term debt	0	0	0	0
Transfers in	2,150	9,725	35,035	0
Transfers out	(2,150)	(9,725)	0	0
	0	0	35,035	0
Fund balance (deficit) at June 30, 2018	\$445,064	\$80	\$2,213,240	\$0

Sauk Valley Community College District 506

Uniform Financial Statement #1

All Funds Summary

(Continued)

For the year ended June 30, 2018

	Audit Fund	Liability, Protection, and Settlement Fund **	Total
Fund balance (deficit) at July 1, 2017	(\$4,364)	\$4,178,804	\$17,467,203
Revenue:			
Local taxes	59,680	247,030	7,586,146
All other local government	0	0	0
ICCB grants	0	0	1,672,171
All other state revenue	0	0	5,019,210
Federal revenue	0	0	4,463,469
Student tuition and fees	0	0	5,239,055
All other revenue	39	49,768	2,448,073
Total revenue	59,719	296,798	26,428,124
Expenditures:			
Instruction	0	0	7,023,368
Academic support	0	0	1,706,872
Student services	0	0	2,065,252
Public service	0	0	1,158,802
Auxiliary services**	0	8,206	2,405,497
Operation and maintenance**	0	210,446	1,806,623
Institutional support**	52,034	356,073	3,347,099
Scholarships, student grants, and waivers	0	0	5,096,689
Principal retirement	0	0	955,000
Interest	0	0	76,712
Debt issuance costs	0	0	24,304
Building construction, building improvements, and equipment	0	0	2,216,671
Total expenditures	52,034	574,725	27,882,889
Other financing sources (uses):			
Proceeds from issuance of long-term debt	0	0	5,025,000
Transfers in	0	0	63,337
Transfers out	0	0	(63,337)
	0	0	5,025,000
Fund balance (deficit) at June 30, 2018	\$3,321	\$3,900,877	\$21,037,438

** Excludes State of Illinois SURS on-behalf payments.

Sauk Valley Community College District 506

Uniform Financial Statement #2

Summary of Fixed Assets and Debt *

For the year ended June 30, 2018

	Fixed Assets/ Debt Account Groups July 1, 2017	Additions	Deletions	Reclassification	Fixed Assets/ Debt Account Groups June 30, 2018
Fixed assets:					
Sites and improvements	\$2,852,172	\$14,049	\$0	\$0	\$2,866,221
Buildings, additions and improvements	29,645,659	510,188	0	785,865	30,941,712
Equipment	7,198,790	314,817	32,369	0	7,481,238
Construction in process	785,865	1,377,617	0	(785,865)	1,377,617
Total fixed assets	40,482,486	2,216,671	32,369	0	42,666,788
Accumulated depreciation	15,232,527	1,152,965	32,369	0	16,353,123
Total net fixed assets	\$25,249,959	\$1,063,706	\$0	\$0	\$26,313,665
Fixed debts:					
Bonds payable	\$2,955,000	\$0	\$955,000	\$0	\$2,000,000
Bond premium	117,920	0	45,180	0	72,740
Debt certificates	0	5,025,000	0	0	5,025,000
OPEB liability	7,311,338	590,718	0	0	7,902,056
Other fixed liabilities	278,321	210,607	245,156	0	243,772
Total fixed debts	\$10,662,579	\$5,826,325	\$1,245,336	\$0	\$15,243,568

* Sauk Valley Community College had no tax anticipation warrants or tax anticipation notes outstanding during the year ended June 30, 2018.

Sauk Valley Community College District 506

Uniform Financial Statement #3

Operating Funds Revenues and Expenditures

For the year ended June 30, 2018

	Education Fund *	Operations and Maintenance Fund	Total Operating Funds
Operating revenues by source:			
Local government:			
Local taxes	\$4,482,087	\$501,784	\$4,983,871
Corporate personal property replacement tax	368,174	45,505	413,679
Total local government	4,850,261	547,289	5,397,550
State government:			
ICCB base operating grant	1,015,673	123,507	1,139,180
ICCB equalization grant	217,391	26,869	244,260
ICCB career and technical education	131,330	0	131,330
Other state sources **	34,176	4,224	38,400
Total state government	1,398,570	154,600	1,553,170
Federal government:			
Department of Education	690	0	690
Other federal sources	504	0	504
Total federal government	1,194	0	1,194
		182,901	
Student tuition and fees:			
Tuition	3,901,375	473,531	4,374,906
Fees	583,430	0	583,430
Total tuition and fees	4,484,805	473,531	4,958,336
Other sources:			
Sales and service fees	165,613	0	165,613
Facilities revenue	0	8,346	8,346
Interest	48,352	628	48,980
Other	30,995	29,647	60,642
Total other sources	244,960	38,621	283,581
Total revenue	10,979,790	1,214,041	12,193,831
Less nonoperating items *			
Tuition chargeback revenue	0	0	0
Adjusted revenue	\$10,979,790	\$1,214,041	\$12,193,831

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

** Excludes State of Illinois SURS on-behalf payments.

Sauk Valley Community College District 506

Uniform Financial Statement #3

Operating Funds Revenues and Expenditures (Continued)

For the year ended June 30, 2018

	Education Fund *	Operations and Maintenance Fund	Total Operating Funds
Operating expenditures:			
By program:			
Instruction	\$4,553,109	\$0	\$4,553,109
Academic support	1,176,493	0	1,176,493
Student services	1,077,184	0	1,077,184
Public services	415,739	0	415,739
Auxiliary services	22,001	0	22,001
Operation and maintenance of plant**	0	1,226,615	1,226,615
Institutional support **	2,046,072	0	2,046,072
Scholarships, student grants, and waivers	899,912	0	899,912
Total expenditures	10,190,510	1,226,615	11,417,125
Less nonoperating items *			
Tuition chargeback	0	0	0
Adjusted expenditures	\$10,190,510	\$1,226,615	\$11,417,125
By object:			
Salaries	\$6,837,531	\$532,776	\$7,370,307
Employee benefits **	1,200,713	182,901	1,383,614
Contractual services	739,108	88,493	827,601
General materials and supplies	463,050	56,543	519,593
Conference and meeting expense	77,497	383	77,880
Fixed charges	0	28,736	28,736
Utilities	0	336,783	336,783
Capital outlay	4,000	0	4,000
Other	868,611	0	868,611
Total expenditures	10,190,510	1,226,615	11,417,125
Less nonoperating items *			
Tuition chargeback	0	0	0
Adjusted expenditures	\$10,190,510	\$1,226,615	\$11,417,125

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

** Excludes State of Illinois SURS on-behalf payments.

Sauk Valley Community College District 506
Uniform Financial Statement #4
Restricted Purposes Fund Revenues and Expenditures
For the year ended June 30, 2018

Revenue by source:

State government:

ICCB:

State Adult Education Restricted Funds	\$119,001
SURS on behalf contributions	4,602,095
Illinois Veterans' Grant	78,902
ISAC - Monetary Award Grants	298,268
Other	39,945

Total state government	5,138,211
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Federal government:

Department of Veteran Affairs:

Post 9/11 Veteran's Educational Assistance	61,069
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Department of Education:

College Work Study Grants	140,721
Pell Grants	2,433,548
Supplemental Educational Opportunity Grant	68,853
Direct Loans	1,020,853
Federal Adult Basic	59,431
Trio - Student Support Services	251,410
Perkins Postsecondary	162,633
CTE Programs of Study	0
CTE Dual Credit Enhancement	0
CTE Pathways to Results	0
Improving Teacher Quality State Grants	0

Corporation for National and Community Service:

AmeriCorps	201,007
Small Business Administration	
Small Business Development Centers	62,750

Total federal government	4,462,275
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Revenue by source (continued):

Other sources	152,640
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Total restricted purposes fund revenues	\$9,753,126
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Sauk Valley Community College District 506
Uniform Financial Statement #4
Restricted Purposes Fund Revenues and Expenditures (Continued)
For the year ended June 30, 2018

Expenditures by program:	
Instruction	\$2,280,912
Academic support	472,142
Student services	988,068
Public services	743,063
Auxiliary services	61,118
Operations and maintenance	365,269
Institutional support	697,577
Scholarships, student grants, and waivers	4,196,777
<hr/>	
Total restricted purposes fund expenditures by program	\$9,804,926
<hr/>	

Expenditures by object:	
Salaries	\$866,727
Employee benefits (including SURS on-behalf)	4,738,458
Contractual services	25,312
General materials and supplies	87,290
Travel, conference and meeting expense	64,154
Fixed charges	0
Utilities	0
Capital outlay	4,325
Other	4,018,660
<hr/>	
Total restricted purposes fund expenditures by object	\$9,804,926
<hr/>	

Sauk Valley Community College District 506

Uniform Financial Statement #5

Current Funds* - Expenditures by Activity

For the year ended June 30, 2018

Instruction:	
Instructional programs	\$4,694,400
Other	2,139,621
Total instructional	6,834,021
Academic support:	
Library	195,171
Academic computing support	334,159
Academic administration and planning	526,202
Other academic support	593,103
Total academic support	1,648,635
Student services:	
Admissions and records	297,420
Counseling and career guidance	527,961
Financial aid administration	201,177
Other student services	1,038,694
Total student services	2,065,252
Public service/continuing education:	
Community education	397,025
Community services	251,880
Other public service	509,897
Total public service/continuing education	1,158,802
Auxiliary services	2,405,497
Operations and maintenance of plant:	
Maintenance	268,638
Custodial	352,161
Grounds	117,783
Campus Security	210,446
Plant utilities	336,783
Administration	141,367
Other operations and maintenance	375,152
Total operations and maintenance of plant	1,802,330

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

Sauk Valley Community College District 506

Uniform Financial Statement #5

Current Funds* - Expenditures by Activity

For the year ended June 30, 2018

Institutional support:	
Executive management	263,470
Fiscal operations	390,754
Community relations	302,693
Administrative support services	232,945
Board of trustees	26,622
General institution	439,659
Institutional research	109,623
Administrative data processing	688,396
Other institutional support	697,594
Total institutional support	3,151,756
Scholarships, student grants, and waivers	5,096,689
Total current funds expenditures	\$24,162,982

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

Sauk Valley Community College District 506

Certification of Chargeback Reimbursement

For Fiscal Year 2019

All fiscal year 2018 noncapital audited operating expenditures from the following funds:	
1 Education Fund	\$10,186,510
2 Operations and Maintenance Fund	1,226,615
3 Public Building Commission Operation and Maintenance Fund	0
4 Bond and Interest Fund	0
5 Public Building Commission Rental Fund	0
6 Restricted Purposes Fund	5,198,506
7 Audit Fund	52,034
8 Liability, Protection, and Settlement Fund	574,725
9 Auxiliary Enterprises Fund (subsidy only)	<u>0</u>
10 Total noncapital expenditures (sum of lines 1-6)	<u>\$17,238,390</u>
11 Depreciation on capital outlay expenditures (equipment, buildings, and fixed equipment paid) from sources other than state and federal funds	<u>\$890,946</u>
12 Total costs included (line 10 plus line 11)	<u>\$18,129,336</u>
13 Total certified semester credit hours for FY 2018	<u>34,427</u>
14 Per capita cost (line 12 divided by line 13)	\$526.60
15 All FY 2018 state and federal operating grants for noncapital expenditures, except ICCB grants	<u>\$4,999,585</u>
16 FY 2018 state and federal grants per semester credit hour (line 15 divided by line 13)	145.22
17 District's average ICCB grant rate (excluding equalization grants) for FY 2019	36.88
18 District's student tuition and fee rate per semester credit hour for FY 2019	<u>139.00</u>
19 Chargeback reimbursement per semester credit hour (line 14 less lines 16, 17, and 18)	<u>\$205.50</u>

Approved: Melissa Dye
Vice President of Business and Facilities

10-Oct-18
Date

[Signature]
President

[Signature]
Date

Other Supplemental Financial Information

Sauk Valley Community College District 506

Balance Sheet - All Fund Types

June 30, 2018

ASSETS	Education	Operations and Maintenance	Operations and Maintenance Restricted	Bond and Interest
Cash and cash equivalents	\$1,046,730	\$595	\$44,336	\$630,852
Deposits	1,002,608	0	0	0
Investments	4,052,858	360,333	5,983,106	0
Receivables:				
Property taxes	3,165,531	355,384	591,897	730,530
Government claims and grants	62,732	7,753	0	0
Other	158,670	11	1,774	469
Advances to other funds	1,129,957	0	0	0
Inventory	0	0	0	0
Prepaid items	154,752	0	31,735	0
Property and equipment, net	0	0	0	0
Total assets	10,773,838	724,076	6,652,848	1,361,851
Deferred outflows of resources:				
Deferred OPEB	0	0	0	0
Deferred pension	0	0	0	0
Total deferred outflows	0	0	0	0
Total assets and deferred outflows	\$10,773,838	\$724,076	\$6,652,848	\$1,361,851
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accounts payable	\$85,694	\$33,551	\$499,548	\$0
Accrued liabilities	389,977	39,985	0	25,000
Advances from other funds	0	165,498	0	0
Unearned tuition and fees	124,345	204,597	0	0
Accrued compensated absences	0	0	0	0
OPEB liability	0	0	0	0
Bonds payable, net of unamortized premiums (discounts)	0	0	0	0
Total liabilities	600,016	443,631	499,548	25,000
Deferred inflows of resources:				
Deferred property taxes	2,266,457	254,813	424,484	523,808
Deferred grant revenue	0	0	0	0
Deferred OPEB	0	0	0	0
Total deferred inflows	2,266,457	254,813	424,484	523,808
Fund balance / Net position (deficit):				
Net investment in capital assets	0	0	0	0
Restricted	0	0	5,728,816	813,043
Unrestricted	7,907,365	25,632	0	0
Total fund balance/net position (deficit)	7,907,365	25,632	5,728,816	813,043
Total liabilities, deferred inflows of resources, and fund balances/net position	\$10,773,838	\$724,076	\$6,652,848	\$1,361,851

Sauk Valley Community College District 506

Balance Sheet - All Fund Types (Continued)

June 30, 2018

ASSETS	Auxiliary Enterprises Fund	Restricted Purpose	Working Cash Fund	Trust and Agency Fund	Audit	Liability, Protection, and Settlement Fund
Cash and cash equivalents	\$578,773	\$24,152	\$47,160	\$60,550	\$498	\$222
Deposits	0	0	2,000,000	0	0	0
Investments	0	331,873	0	0	0	4,412,783
Receivables:						
Property taxes	0	0	0	0	41,804	234,812
Government claims and grants	0	148,856	0	0	0	0
Other	143	0	8,582	0	7	27,681
Advances to other funds	0	0	157,498	0	0	0
Inventory	1,396	0	0	0	0	0
Prepaid items	0	31,066	0	0	0	2,967
Property and equipment, net	0	0	0	0	0	0
Total assets	580,312	535,947	2,213,240	60,550	42,309	4,678,465
Deferred outflows of resources:						
Deferred OPEB	0	0	0	0	0	0
Deferred pension	0	0	0	0	0	0
Total deferred outflows	0	0	0	0	0	0
Total assets and deferred outflows	\$580,312	\$535,947	\$2,213,240	\$60,550	\$42,309	\$4,678,465
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
Liabilities:						
Accounts payable	\$19,551	\$5,581	\$0	\$60,550	\$0	\$8,189
Accrued liabilities	446	6,041	0	0	0	11,085
Advances from other funds	0	522,957	0	0	9,000	590,000
Unearned tuition and fees	115,251	0	0	0	0	0
Accrued compensated absences	0	0	0	0	0	0
OPEB liability	0	0	0	0	0	0
Bonds payable, net of unamortized premiums (discounts)	0	0	0	0	0	0
Total liabilities	135,248	534,579	0	60,550	9,000	609,274
Deferred inflows of resources:						
Deferred property taxes	0	0	0	0	29,988	168,314
Deferred grant revenue	0	1,288	0	0	0	0
Deferred OPEB	0	0	0	0	0	0
Total deferred inflows	0	1,288	0	0	29,988	168,314
Fund balance / Net position (deficit):						
Net investment in capital assets	0	80	0	0	0	0
Restricted	0	0	2,213,240	0	0	0
Unrestricted	445,064	0	0	0	3,321	3,900,877
Total fund balance/net position (deficit)	445,064	80	2,213,240	0	3,321	3,900,877
Total liabilities, deferred inflows of resources, and fund balances/net position	\$580,312	\$535,947	\$2,213,240	\$60,550	\$42,309	\$4,678,465

Sauk Valley Community College District 506

Balance Sheet - All Fund Types (Continued)

June 30, 2018

ASSETS	Fund Totals	GASB			Adjusted Totals
		General Fixed Assets Account	General Long Term Debt Account	Other Adjustments	
Cash and cash equivalents	\$2,433,868	\$0	\$0	\$0	\$2,433,868
Deposits	3,002,608	0	0	0	3,002,608
Investments	15,140,953	0	0	0	15,140,953
Receivables:					
Property taxes	5,119,958	0	0	0	5,119,958
Government claims and grants	219,341	0	0	0	219,341
Other	197,337	0	0	0	197,337
Advances to other funds	1,287,455	0	0	(1,287,455)	0
Inventory	1,396	0	0	0	1,396
Prepaid items	220,520	0	0	(83,204)	137,316
Property and equipment, net	0	26,313,665	0	0	26,313,665
Total assets	27,623,436	26,313,665	0	(1,370,659)	52,566,442
Deferred outflows of resources:					
Deferred OPEB	0	0	515,819	0	515,819
Deferred pension	0	0	0	48,230	48,230
Total assets	0	0	515,819	48,230	564,049
Total assets and deferred outflows	\$27,623,436	\$26,313,665	\$515,819	(\$1,322,429)	\$53,130,491
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities:					
Accounts payable	\$712,664	\$0	\$0	\$0	\$712,664
Accrued liabilities	472,534	0	0	(243,772)	228,762
Advances from other funds	1,287,455	0	0	(1,287,455)	0
Unearned tuition and fees	444,193	0	0	(178,170)	266,023
Accrued compensated absences	0	0	0	243,772	243,772
OPEB liability	0	0	7,902,056	0	7,902,056
Bonds payable, net of unamortized premiums (discounts)	0	0	7,097,740	0	7,097,740
Total liabilities	2,916,846	0	14,999,796	(1,465,625)	16,451,017
Deferred inflows of resources:					
Deferred property taxes	3,667,864	0	0	0	3,667,864
Deferred grant revenue	1,288	0	0	0	1,288
Deferred OPEB	0	0	680,682	0	680,682
Total deferred inflows	3,669,152	0	680,682	0	4,349,834
Fund balance / Net position (deficit):					
Net investment in capital assets	80	26,313,665	(2,000,000)	0	24,313,745
Restricted	8,755,099	0	0	0	8,755,099
Unrestricted	12,282,259	0	(13,164,659)	143,196	(739,204)
Total fund balance/net position (deficit)	21,037,438	26,313,665	(15,164,659)	143,196	32,329,640
Total liabilities, deferred inflows of resources, and fund balances/net position	\$27,623,436	\$26,313,665	\$515,819	(\$1,322,429)	\$53,130,491

Sauk Valley Community College District 506
Combining Schedule of Revenues, Expenditures/Expenses,
and Changes in Fund Balance/Net Position (Deficit) - All Fund Types
For the year ended June 30, 2018

	Education	Operations and Maintenance	Operations and Maintenance Restricted
Revenues:			
Local government	\$4,850,261	\$547,289	\$836,103
State government	1,398,570	154,600	0
State of Illinois SURS on-behalf payments	0	0	0
Federal government	1,194	0	0
Student tuition and fees	4,484,805	473,531	0
Sales and service fees	165,613	0	0
Interest	48,352	628	7,657
Net increase (decrease) in fair value of investments	0	0	(890)
Other	30,995	37,993	117,126
Total revenues	10,979,790	1,214,041	959,996
Expenditures/expenses:			
Current:			
Instruction	4,553,109	0	1,315,875
Academic support	1,176,493	0	65,770
Student services	1,077,184	0	0
Public services	415,739	0	0
Auxiliary services	22,001	0	12,042
Operation and maintenance of plant	0	1,226,615	679,604
Institutional support	2,046,072	0	589,850
Scholarships, student grants, and waivers	899,912	0	0
Depreciation expense	0	0	0
Debt service:			
Principal retirement	0	0	0
Interest	0	0	0
Debt issuance costs	0	0	24,304
Total expenditures/expenses	10,190,510	1,226,615	2,687,445
Excess (deficiency) of revenues over expenditures/expenses	789,280	(12,574)	(1,727,449)
Other financing sources (uses):			
Proceeds from issuance of long-term debt	0	0	5,025,000
Transfers in	0	16,427	0
Transfers out	(47,608)	(3,854)	0
Total other financing sources (uses)	(47,608)	12,573	5,025,000
Net change in fund balance / net position	741,672	(1)	3,297,551
Fund balance/net position at beginning of year (deficit), as previously reported	7,165,693	25,633	2,431,265
Prior period adjustment	0	0	0
Fund balance/net position at beginning of year (deficit), as restated	7,165,693	25,633	2,431,265
Fund balance/net position at end of year (deficit)	\$7,907,365	\$25,632	\$5,728,816

Sauk Valley Community College District 506
Combining Schedule of Revenues, Expenditures/Expenses,
and Changes in Fund Balance/Net Position (Deficit) - All Fund Types (Continued)
For the year ended June 30, 2018

	Bond and Interest	Auxiliary Enterprises Fund	Restricted Purpose
Revenues:			
Local government	\$1,045,783	\$0	\$0
State government	0	0	536,116
State of Illinois SURS on-behalf payments	0	0	4,602,095
Federal government	0	0	4,462,275
Student tuition and fees	0	280,719	0
Sales and service fees	0	26,663	0
Interest	2,981	1,306	0
Net increase (decrease) in fair value of investments	0	0	0
Other	0	1,789,897	152,640
Total revenues	1,048,764	2,098,585	9,753,126
Expenditures/expenses:			
Current:			
Instruction	0	0	2,280,912
Academic support	0	0	472,142
Student services	0	0	988,068
Public services	0	0	743,063
Auxiliary services	0	2,314,172	61,118
Operation and maintenance of plant	0	0	365,269
Institutional support	750	0	697,577
Scholarships, student grants, and waivers	0	0	4,196,777
Depreciation expense	0	0	0
Debt service:			
Principal retirement	955,000	0	0
Interest	76,712	0	0
Debt issuance costs	0	0	0
Total expenditures/expenses	1,032,462	2,314,172	9,804,926
Excess (deficiency) of revenues over expenditures/expenses	16,302	(215,587)	(51,800)
Other financing sources (uses):			
Proceeds from issuance of long-term debt	0	0	0
Transfers in	0	2,150	9,725
Transfers out	0	(2,150)	(9,725)
Total other financing sources (uses)	0	0	0
Net change in fund balance / net position	16,302	(215,587)	(51,800)
Fund balance/net position at beginning of year (deficit), as previously reported	796,741	660,651	51,880
Prior period adjustment	0	0	0
Fund balance/net position at beginning of year (deficit), as restated	796,741	660,651	51,880
Fund balance/net position at end of year (deficit)	\$813,043	\$445,064	\$80

Sauk Valley Community College District 506
Combining Schedule of Revenues, Expenditures/Expenses,
and Changes in Fund Balance/Net Position (Deficit) - All Fund Types (Continued)
For the year ended June 30, 2018

	Working Cash Fund	Trust and Agency Fund	Audit	Liability, Protection, and Settlement Fund
Revenues:				
Local government	\$0	\$0	\$59,680	\$247,030
State government	0	0	0	0
State of Illinois SURS on-behalf payments	0	0	0	0
Federal government	0	0	0	0
Student tuition and fees	0	0	0	0
Sales and service fees	0	0	0	0
Interest	17,305	0	39	48,167
Net increase (decrease) in fair value of investments	0	0	0	1,601
Other	0	0	0	0
Total revenues	17,305	0	59,719	296,798
Expenditures/expenses:				
Current:				
Instruction	0	0	0	0
Academic support	0	0	0	0
Student services	0	0	0	0
Public services	0	0	0	0
Auxiliary services	0	0	0	8,206
Operation and maintenance of plant	0	0	0	210,446
Institutional support	0	0	52,034	356,073
Scholarships, student grants, and waivers	0	0	0	0
Depreciation expense	0	0	0	0
Debt service:				
Principal retirement	0	0	0	0
Interest	0	0	0	0
Debt issuance costs	0	0	0	0
Total expenditures/expenses	0	0	52,034	574,725
Excess (deficiency) of revenues over expenditures/expenses	17,305	0	7,685	(277,927)
Other financing sources (uses):				
Proceeds from issuance of long-term debt	0	0	0	0
Transfers in	35,035	0	0	0
Transfers out	0	0	0	0
Total other financing sources (uses)	35,035	0	0	0
Net change in fund balance / net position	52,340	0	7,685	(277,927)
Fund balance/net position at beginning of of year (deficit), as previously reported	2,160,900	0	(4,364)	4,178,804
Prior period adjustment	0	0	0	0
Fund balance/net position at beginning of year (deficit), as restated	2,160,900	0	(4,364)	4,178,804
Fund balance/net position at end of year (deficit)	\$2,213,240	\$0	\$3,321	\$3,900,877

Sauk Valley Community College District 506
Combining Schedule of Revenues, Expenditures/Expenses,
and Changes in Fund Balance/Net Position (Deficit) - All Fund Types (Continued)
For the year ended June 30, 2018

	Fund Totals	GASB			Adjusted Totals
		General Fixed Assets Account	General Long-Term Debt Account	Other Adjustments	
Revenues:					
Local government	\$7,586,146	\$0	\$0	\$0	\$7,586,146
State government	2,089,286	0	0	0	2,089,286
State of Illinois SURS on-behalf payments	4,602,095	0	0	0	4,602,095
Federal government	4,463,469	0	0	0	4,463,469
Student tuition and fees	5,239,055	0	0	(2,466,962)	2,772,093
Sales and service fees	192,276	0	0	0	192,276
Interest	126,435	0	0	0	126,435
Net increase (decrease) in fair value of investments	711	0	0	0	711
Other	2,128,651	0	0	(1,783,363)	345,288
Total revenues	26,428,124	0	0	(4,250,325)	22,177,799
Expenditures/expenses:					
Current:					
Instruction	8,149,896	(1,126,527)	0	8,574	7,031,943
Academic support	1,714,405	(7,533)	0	0	1,706,872
Student services	2,065,252	0	0	0	2,065,252
Public services	1,158,802	0	0	0	1,158,802
Auxiliary services	2,417,539	(12,042)	0	(1,783,304)	622,193
Operation and maintenance of plant	2,481,934	(675,311)	0	(1,108)	1,805,515
Institutional support	3,742,356	(395,258)	755,581	(13,218)	4,089,461
Scholarships, student grants, and waivers	5,096,689	0	0	(2,424,338)	2,672,351
Depreciation expense	0	1,152,965	0	0	1,152,965
Debt service:					
Principal retirement	955,000	0	(955,000)	0	0
Interest	76,712	0	(45,180)	0	31,532
Debt issuance costs	24,304	0	0	0	24,304
Total expenditures/expenses	27,882,889	(1,063,706)	(244,599)	(4,213,394)	22,361,190
Excess (deficiency) of revenues over expenditures/expenses	(1,454,765)	1,063,706	244,599	(36,931)	(183,391)
Other financing sources (uses):					
Proceeds from issuance of long-term debt	5,025,000	0	(5,025,000)	0	0
Transfers in	63,337	0	0	0	63,337
Transfers out	(63,337)	0	0	0	(63,337)
Total other financing sources (uses)	5,025,000	0	(5,025,000)	0	0
Net change in fund balance / net position	3,570,235	1,063,706	(4,780,401)	(36,931)	(183,391)
Fund balance/net position at beginning of of year (deficit), as previously reported	17,467,203	25,249,959	(3,072,920)	180,127	39,824,369
Prior period adjustment	0	0	(7,311,338)	0	(7,311,338)
Fund balance/net position at beginning of year (deficit), as restated	17,467,203	25,249,959	(10,384,258)	180,127	32,513,031
Fund balance/net position at end of year (deficit)	\$21,037,438	\$26,313,665	(\$15,164,659)	\$143,196	\$32,329,640

Sauk Valley Community College District 506

Assessed Valuations, Tax Rates, Tax Extensions and Tax Collections

Levy Years 2017, 2016, and 2015

	2017	2016	2015
Assessed Valuations:			
Bureau County	\$101,309,486	\$96,324,843	\$91,772,212
Carroll County	88,936,981	86,445,078	83,829,049
Henry County	3,825,234	3,627,728	3,424,071
Lee County	616,609,591	606,662,827	589,998,420
Ogle County	120,487,277	115,171,351	112,968,848
Whiteside County	781,429,811	753,846,715	725,603,166
Total assessed valuations	\$1,712,598,380	\$1,662,078,542	\$1,607,595,766
Tax Rate (per \$100 assessed valuation):			
Bond and Interest Fund	0.0611	0.0637	0.0654
Audit Fund	0.0035	0.0036	0.0039
Liability, Protection, and Settlement	0.0113	0.0012	0.0193
Social Security	0.0083	0.0084	0.0090
Prior Year Adjustment	(0.0019)	0.0300	0.0300
Operations and Maintenance Accounts	0.0297	0.0300	0.0300
Operations and Maintenance Accounts - Restricted	0.0495	0.0500	0.0500
Educational Accounts	0.2444	0.2450	0.2450
Additional Tax	0.0212	0.0247	0.0000
Total tax rate	0.4271	0.4566	0.4526
Tax Extensions:			
Bond and Interest Fund	\$1,050,183	\$1,048,129	\$1,051,368
Audit Fund	60,158	59,235	62,696
Liability, Protection, and Settlement	194,224	19,745	310,266
Social Security	142,660	138,215	144,683
Prior Year Adjustment	(14,847)	0	0
Operations and Maintenance Accounts	510,482	493,624	482,279
Operations and Maintenance Accounts - Restricted	850,803	822,707	803,798
Educational Accounts	4,200,734	4,031,265	3,938,610
State Additional Tax	364,384	406,417	0
Total tax extensions	\$7,358,781	\$7,019,337	\$6,793,700
Tax Collections to June 30:			
Bond and Interest Fund	\$317,086	\$1,048,694	\$1,047,980
Audit Fund	18,171	59,655	62,432
Liability, Protection, and Settlement	58,737	19,901	309,481
Social Security	43,078	138,242	144,222
Operations and Maintenance Accounts	154,243	496,194	481,118
Operations and Maintenance Accounts - Restricted	257,072	826,992	801,863
Educational Accounts	1,257,408	4,042,951	3,928,372
State Additional Tax	109,975	408,500	0
Total tax collections	\$2,215,770	\$7,041,129	\$6,775,468
Percent of extensions collected	30.11%	100.31%	99.73%

State Grant Activity and Schedule of Enrollment Data



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE REQUIREMENTS FOR STATE ADULT EDUCATION AND FAMILY LITERACY GRANTS

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 of Sauk Valley Community College District 506 (the "College") as of and for the year ended June 30, 2018, and the related notes to the ICCB 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the grant policy guidelines of the Illinois Community College Board's *Fiscal Management Manual*. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit also included a review of compliance with the provisions of laws, regulations, contracts, and grants between the College and the State of Illinois and Illinois Community College Board (ICCB).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion, and the College is in compliance with the provisions of laws, contracts, and ICCB policy guidelines for restricted grants.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Adult Education and Family Literacy Grants of the Sauk Valley Community College District 506 as of June 30, 2018, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Compliance

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the State Adult Education and Family Literacy Grants and do not purport to, and do not present fairly the financial position of the College as of June 30, 2018, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Wipfli LLP

Sterling, Illinois
October 10, 2018

Sauk Valley Community College District 506
Balance Sheet
State Adult Education and Family Literacy Restricted Funds
June 30, 2018

ASSETS	State Basic	State Performance	Total
Cash	\$460	\$53	\$513
Investments	62,600	21,833	84,433
Receivables	5,840	8,314	14,154
Total assets	\$68,900	\$30,200	\$99,100
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$1,871	\$0	\$1,871
Accrued liabilities	529	0	529
Advances from other funds	66,500	30,200	96,700
Total liabilities	68,900	30,200	99,100
Fund balance	0	0	0
Total liabilities, deferred inflows of resources, and fund balances	\$68,900	\$30,200	\$99,100

Sauk Valley Community College District 506
Statement of Revenues, Expenditures and Changes in Fund Balance
State Adult Education and Family Literacy Restricted Funds
For the year ended June 30, 2018

	State Basic	State Performance	Total
Revenues -			
Grant revenue	\$83,309	\$35,692	\$119,001
Expenditures:			
Instruction	49,435	251	49,686
Contractual services	4,000	0	4,000
Social work services	0	0	0
Guidance services	5,404	1,619	7,023
Assessment and testing	0	0	0
Student transportation services	0	0	0
Literacy services	0	0	0
Subtotal instructional and student services	58,839	1,870	60,709
Improvement of instructional services	0	0	0
General administration	5,330	33,822	39,152
Data and information services	19,140	0	19,140
Subtotal program support	24,470	33,822	58,292
Total expenditures	83,309	35,692	119,001
Excess of revenues over expenditures	0	0	0
Fund balance at beginning of year	0	0	0
Fund balance at end of year	\$0	\$0	\$0

Sauk Valley Community College District 506

ICCB Compliance Statement for the Adult Education and Family Literacy

Grant - Expenditure Amounts and Percentages for ICCB Grant Funds Only

State Adult Education and Family Literacy Restricted Funds

For the year ended June 30, 2018

State Basic	Audited Expenditure Amount	Actual Expenditure Percentage
Instruction (45% minimum required)	\$49,435	59.34%
General Administration (15% maximum allowed)	\$5,330	6.40%

Sauk Valley Community College District 506

Notes to ICCB Grant Programs Financial Statements

Note 1 Summary of Significant Accounting Policies

General

The accompanying statements include only those transactions resulting from the State Adult Education & Family Literacy grant programs. These transactions have been accounted for in the College's Restricted Purpose Fund.

Basis of 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, 2018. Funds obligated for goods must be spent before August 31.

Fixed 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 2 Payment 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.

Sauk Valley Community College District 506

Background Information on State Grant Activity

Restricted Adult Education Grants/State

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

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



INDEPENDENT ACCOUNTANT'S REPORT ON ENROLLMENT DATA AND OTHER BASES UPON WHICH CLAIMS ARE FILED

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

We have examined management of Sauk Valley Community College District 506's (the College) assertion that the College complied with the guidelines of the Illinois Community College Board's *Fiscal Management Manual* included in the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed of Sauk Valley Community College District 506 during the period July 1, 2017 through June 30, 2018. The College's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the College's compliance with the specified requirement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the College's compliance with the specified requirements.

In our opinion, management's assertion that the College complied with the guidelines of the Illinois Community College Board's *Fiscal Management Manual* included in the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed of Sauk Valley Community College District 506 is fairly stated, in all material respects.

Wipfli LLP

Sterling, Illinois
October 10, 2018

Sauk Valley Community College District 506

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

For the year ended June 30, 2018

Total Reimbursable Semester Credit Hours by Term

Credit Hour Categories	Summer Term		Fall Term		Spring Term		Total All Terms	
	Unrestricted Hours	Restricted Hours						
Baccalaureate	2,027.0	0.0	9,974.0	0.0	9,376.0	0.0	21,377.0	0.0
Business Occupational	179.0	0.0	851.0	0.0	591.0	0.0	1,621.0	0.0
Technical Occupational	117.0	0.0	1,861.0	0.0	2,202.5	0.0	4,180.5	0.0
Health Occupational	465.0	0.0	2,413.5	0.0	1,900.0	0.0	4,778.5	0.0
Remedial/Developmental	206.0	0.0	977.0	0.0	653.0	0.0	1,836.0	0.0
Adult Education	0.0	85.0	0.0	270.0	0.0	279.0	0.0	634.0
	2,994.0	85.0	16,076.5	270.0	14,722.5	279.0	33,793.0	634.0

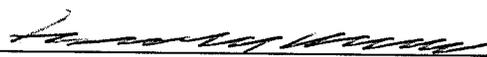
	In-District (All terms)		Dual Credit (All Terms)		Dual Enrollment (All Terms)	
	Unrestricted Hours	Restricted Hours	Unrestricted Hours	Restricted Hours	Unrestricted Hours	Restricted Hours
Reimbursable Credit Hours:	32,290.5	630.0	5,466.0	0.0	109.0	0.0

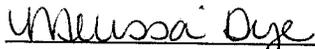
Credit Hours on Chargeback or Contractual Agreement: 659.0

District Equalized Assessed Valuation: \$1,712,598,380

Correctional Semester Credit Hours by Term

Credit Hour Categories	Summer	Fall	Spring	Total
	Correctional Hours	Correctional Hours	Correctional Hours	Correctional Hours
Baccalaureate	0.0	0.0	0.0	0.0
Business Occupational	0.0	0.0	0.0	0.0
Technical Occupational	0.0	0.0	0.0	0.0
Health Occupational	0.0	0.0	0.0	0.0
Remedial/Developmental	0.0	0.0	0.0	0.0
Adult Education	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0

Signature: 
President

Signature: 
Vice President of Business and Facilities

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

Sauk Valley Community College District 506

Reconciliation of Total Semester Credit Hours

(Continued)

For the year ended June 30, 2018

Total Reimbursable Semester Credit Hours

Credit Hour Categories	Total Reported in Audit Unrestricted Hours	Total Certified to ICCB Unrestricted Hours	Difference	Total Reported in Audit Restricted Hours	Total Certified to ICCB Restricted Hours	Difference
	Baccalaureate	21,377.0		21,377.0	0.0	
Business Occupational	1,621.0	1,621.0	0.0	0.0	0.0	0.0
Technical Occupational	4,180.5	4,180.5	0.0	0.0	0.0	0.0
Health Occupational	4,778.5	4,778.5	0.0	0.0	0.0	0.0
Remedial/Developmental	1,836.0	1,836.0	0.0	0.0	0.0	0.0
Adult Education	0.0	0.0	0.0	634.0	634.0	0.0
Total	33,793.0	33,793.0	0.0	634.0	634.0	0.0

	Total Reported in Audit Unrestricted Hours	Total Certified to ICCB Unrestricted Hours	Difference	Total Reported in Audit Restricted Hours	Total Certified to ICCB Restricted Hours	Difference
In-District Credit Hours:	32,290.5	32,290.5		0.0	630.0	
Dual Credit Hours:	5,466.0	5,466.0	0.0	0.0	0.0	0.0
Dual Enrollment Hours:	109.0	109.0	0.0	0.0	0.0	0.0

Total Correctional Semester Credit Hours

Credit Hour Categories	Total Reported in Audit Unrestricted Hours	Total Certified to ICCB Unrestricted Hours	Difference	Total Reported in Audit Restricted Hours	Total Certified to ICCB Restricted Hours	Difference
	Baccalaureate	0.0		0.0	0.0	
Business Occupational	0.0	0.0	0.0	0.0	0.0	0.0
Technical Occupational	0.0	0.0	0.0	0.0	0.0	0.0
Health Occupational	0.0	0.0	0.0	0.0	0.0	0.0
Remedial/Developmental	0.0	0.0	0.0	0.0	0.0	0.0
Adult Education	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0	0.0	0.0

Sauk Valley Community College District 506

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

Note 1 Residency Verification Process

Procedures for Verifying and Classifying Residency

An in-district student is one whose legal residency 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.

ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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 discretely presented component unit of Sauk Valley Community College District 506 (the College), as of and for the year ended June 30, 2018, 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 10, 2018. The financial statements of Sauk Valley College Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 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 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College'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 the attention of 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Sterling, Illinois
October 10, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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's (the "College") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. 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 for Compliance

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2018.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Wipfli LLP

Sterling, Illinois
October 10, 2018

Sauk Valley Community College District 506

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	Passed Through to Subrecipients
Small Business Administration:				
Passed through the Illinois Department of Commerce and Economic Opportunity:				
Small Business Development Centers	59.037	SBAHQ-17-B-0025	\$126,486	\$0
U.S. Department of Veteran's Affairs:				
Direct award:				
Post 9/11 Veteran's Education Assistance	64.028		\$61,573	\$0
U.S. Department of Education:				
Pass-through Illinois Community College Board:				
Adult Education:				
Federal Adult Basic	84.002A	50601	\$59,431	\$0
Direct awards:				
Student Financial Assistance:				
Federal Supplemental Educational Opportunity Grants (m)	84.007	P007AXX1275	78,578	0
Federal Work Study Program (m)	84.033	P033AXX1275	130,997	0
Federal Pell Grant Program (m)	84.063	P063XXX1379	2,434,236	0
Federal Direct Loan Program (m)	84.268	P268KXX1379	1,020,853	0
Total student financial assistance cluster			3,664,664	0
Direct award:				
TRIO - Student Support Services	84.042A	P042A100620-17	251,410	0
Passed through the Illinois Community College Board:				
Career and Technical Education - Basic Grants to States				
Perkins Postsecondary Grants	84.048	CTE50617	4,195	0
Perkins Postsecondary Grants	84.048	CTE50618	158,438	0
Total 84.048			162,633	0
Total U.S. Department of Education			\$4,138,138	\$0
Corporation for National and Community Service:				
Passed through the Illinois Department of Public Health:				
AmeriCorps - Formula Program	94.006	67388017D	\$21,708	\$0
AmeriCorps - Formula Program	94.006	67380018D	179,299	0
Total 94.006			\$201,007	\$0
Total federal awards expended			\$4,527,204	\$0

(m) Denotes major program

Sauk Valley Community College District 506

Notes to the 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, 2018, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The College elected to not use the 10% de minimis indirect cost rate during the year ended June 30, 2018.

Note 2 **Federal Loan Program**

For the year ended June 30, 2018, the College acted as a pass-through agency for Federal Direct Loans (subsidized and unsubsidized) to students in the amount of \$1,020,853.

Note 3 **Non-cash Assistance**

The College did not expend any federal awards in the form of non-cash assistance during the year ended June 30, 2018.

Sauk Valley Community College District 506

Schedule of Findings and Questioned Costs

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

Type of auditor’s report issued on compliance for major programs:		Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster
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Dollar threshold used to distinguish between type A and type B programs:	\$ <u>750,000</u>
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Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
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Sauk Valley Community College District 506

Schedule of Findings and Questioned Costs

Section II – Financial Statement Findings

A. Internal Control

None

B. Compliance Finding

None

Section III – Federal Award Findings and Questioned Costs

A. Internal Control

None

B. Compliance Findings

None

Sauk Valley Community College District

Summary Schedule of Prior Audit Findings

Prior Year Findings:

June 30, 2017

I. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Internal Control

None

B. Compliance Finding

None

II. Findings and Questioned Costs for Federal Awards

A. Internal Control

None

B. Compliance Finding

None

June 30, 2016

III. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Internal Control

None

B. Compliance Finding

None

IV. Findings and Questioned Costs for Federal Awards

A. Internal Control

None

B. Compliance Finding

None