

**SAUK VALLEY COMMUNITY COLLEGE DISTRICT 506**

**DIXON, ILLINOIS**

**ANNUAL FINANCIAL REPORT**

**For the year ended June 30, 2019**



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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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States require that the Management's Discussion and Analysis, Schedule of Share of Net Pension Liability, Schedule of Pension Contributions, Schedule of Share of Net 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 30, 2019, 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 30, 2019

# Sauk Valley Community College District 506

## Management's Discussion and Analysis

### For the Year Ended June 30, 2019

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#### Introduction

This section of Sauk Valley Community College District 506's (the College) Annual Financial Report presents management's discussion and analysis (the MD&A) of the College's financial position as of June 30, 2019 and the results of the current year's operations. This MD&A should be read in conjunction with the College's basic financial statements noted in the table of contents. Responsibility for the completeness and accuracy of this information rests with the College.

#### Using This Annual Report

The College presents its financial statements in a "business-type activity" format, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. The financial statements focus on the College as a whole and are prepared on the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred in accordance with generally accepted accounting principles. The financial statements consist of four primary parts: (1) Statement of Net Position, (2) Statement of Revenues, Expenses, and Changes in Net Position, (3) Statement of Cash Flows, and (4) Notes to the Financial Statements. Separate columns are presented for the College (which is considered the primary government) and the Sauk Valley College Foundation (the College's discretely presented component unit). Unless otherwise specified, the amounts presented in this MD&A are for the College.

The **Statement of Net Position** is the College's balance sheet. It reflects assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (equity) of the College as of June 30, 2019. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities, are classified as noncurrent. Investment assets are carried at fair value. Capital assets, which include the College's land, buildings, improvements, and equipment, are shown net of accumulated depreciation. Net position is grouped in the following categories:

- Net investment in capital assets
- Restricted – Nonexpendable
- Restricted – Expendable
- Unrestricted

Deferred outflows of resources are similar to assets and will be recognized as expenses in future periods. Deferred inflows are similar to liabilities and will be recognized as revenue (or reductions of expense) in future periods.

# Sauk Valley Community College District 506

## Management's Discussion and Analysis

### For the Year Ended June 30, 2019

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The **Statement of Revenues, Expenses, and Changes in Net Position** is the College's income statement. It details how net position has increased (or decreased) during the year ended June 30, 2019. Tuition revenue is shown net of scholarship allowances, depreciation is provided for capital assets, and there is required subtotals for net operating income (loss) and net income (loss).

It should be noted that the required subtotal for net operating income (loss) generally will reflect a "loss" for colleges and universities with a substantial amount of state support. This is primarily due to the way operating and non-operating items are defined under GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating expenses include virtually all College expenses, except for interest on long-term debt and certain investment management expenses. Operating revenues, however, exclude certain significant revenue streams that the College and other public institutions have traditionally relied upon to fund current operations, including State of Illinois (State) grants and on-behalf payments for employer pension and other postemployment benefits contributions.

The **Statement of Cash Flows** details how cash has increased (or decreased) during the year ended June 30, 2019. It breaks out the sources and uses of College cash into the following categories:

- Operating activities
- Noncapital financing activities
- Capital and related financing activities
- Investing activities

Cash flows associated with the College's expendable net position appear in the operating and noncapital financing categories. Capital and related financing activities include payments for capital assets, proceeds from long-term debt and debt repayments. Purchases and sales of investments are reflected as investing activities.

The **Notes to the Financial Statements**, which follow the financial statements, provide additional details on the numbers in the financial statements. Behind the notes to the financial statements is a section that provided required supplementary information related to pension and other postemployment benefits.

**Sauk Valley Community College District 506**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2019**

**Financial Highlights and Key Trends**

**Statement of Net Position**

**Summary of Net Position (in thousands)**  
**June 30,**

	<b>2019</b>	<b>2018</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
Current assets	\$21,104	\$24,470	(\$3,366)	(13.8%)
Noncurrent assets:				
Capital assets, net	28,726	26,314	2,412	9.2%
Other	3,272	1,783	1,489	83.5%
Total assets	53,102	52,567	535	1.0%
Deferred outflow of resources	584	564	20	3.5%
Total assets and deferred outflows	53,686	53,131	555	1.0%
Current liabilities	2,803	3,366	(563)	(16.7%)
Noncurrent liabilities	13,343	13,086	257	2.0%
Total liabilities	16,146	16,452	(306)	(1.9%)
Deferred inflows of resources	4,998	4,350	648	14.9%
Total liabilities and deferred inflows	21,144	20,802	342	1.6%
Net position:				
Net investment in capital assets	22,536	24,314	(1,778)	(7.3%)
Restricted	5,981	8,755	(2,774)	(31.7%)
Unrestricted	4,025	(740)	4,765	643.9%
Total net position	\$32,542	\$32,329	\$213	0.7%

The College's total net position as of June 30, 2019 increased approximately \$213,000 (0.7%).

During fiscal year 2019, the College's total assets increased by approximately \$535,000 (1.0%), and deferred outflows of resources increased approximately \$20,000. Major components of the net change in total assets included the following:

- Net capital assets increased approximately \$2,412,000 (9.2%) due to capital renovations for the College's boiler, air handlers, third-floor classrooms, and public safety, offset by current year depreciation expense.
- Current assets and other noncurrent assets decreased approximately \$1,877,000 (7.1%) due to expenditures for capital projects from resources restricted by General Obligation Debt Certificates Series 2018A and 2018B.

# Sauk Valley Community College District 506

## Management's Discussion and Analysis

### For the Year Ended June 30, 2019

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During fiscal year 2019, the College's total liabilities decreased approximately \$306,000 (1.9%) and deferred inflows of resources increased approximately \$648,000 (14.9%). Major components of the net change in total liabilities and deferred inflows of resources included the following:

- Current liabilities decreased by approximately \$563,000 (16.7%) due to a decrease in the current portion due for bonds and debt certificates offset by increase in accrued liabilities.
- Noncurrent liabilities increased by approximately \$257,000 (2.0%) due to an increase in bonds and debt certificates payable and the College's proportionate share of the Community College Health Insurance Security Fund's (CCHISF) other postemployment benefit (OPEB) liability.
- Deferred inflows of resources increased approximately \$648,000 (14.9%) largely due to actuarial changes for the College's proportionate share of the CCHISF OPEB expenses.

During fiscal year 2019, the College's net investment in capital assets decreased approximately \$1,778,000 (7.3%) due to the issuance of General Obligation Community College Bonds Series 2018C offset by current year capital asset additions. Restricted net position decreased approximately \$2,774,000 (31.7%) as restricted resources were spent on capital projects. Unrestricted net position increased by approximately \$4,765,000 (643.9%), which is primarily attributable to additions to capital related debt, reclassifying net position from net investment in capital assets, and an overall increase in current year unrestricted net position due to operations.

**Sauk Valley Community College District 506**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2019**

**Statement of Revenues, Expenses, and Changes in Net Position**

**Summary of Revenues, Expenses, and Changes in Net Position (in thousands)**  
**For the Year Ended June 30**

	<b>2019</b>	<b>2018</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
<b>Revenues:</b>				
Tuition and fees	\$2,856	\$2,772	\$84	3.0%
Auxiliary	213	192	21	10.9%
State sources	7,462	6,692	770	11.5%
Federal sources	4,446	4,463	(17)	(0.4%)
Property taxes	7,441	7,172	269	3.8%
Personal property replacement tax	460	414	46	11.1%
Interest income	378	127	251	197.6%
Other	311	345	(34)	(9.9%)
<b>Total revenues</b>	<b>23,567</b>	<b>22,177</b>	<b>1,390</b>	<b>6.3%</b>
<b>Expenses:</b>				
Instruction	7,428	7,032	396	5.6%
Academic support	1,436	1,707	(271)	(15.9%)
Student services	2,396	2,065	331	16.0%
Public services	1,279	1,159	120	10.4%
Independent operations	502	622	(120)	(19.3%)
Operations and maintenance	2,022	1,806	216	12.0%
Institutional support	4,426	4,089	337	8.2%
Scholarships, grants and waivers	2,423	2,672	(249)	(9.3%)
Depreciation	1,238	1,153	85	7.4%
Interest	204	56	148	264.3%
<b>Total expenses</b>	<b>23,354</b>	<b>22,361</b>	<b>993</b>	<b>4.4%</b>
<b>Change in net position</b>	<b>213</b>	<b>(184)</b>	<b>397</b>	<b>215.8%</b>
<b>Net position, beginning of year,</b>	<b>32,329</b>	<b>32,513</b>	<b>(184)</b>	<b>(0.6%)</b>
<b>Net position, end of year</b>	<b>\$32,542</b>	<b>\$32,329</b>	<b>\$213</b>	<b>0.7%</b>

The College's change in net position increased approximately \$397,000 from (\$184,000) in fiscal year 2018 to \$213,000 for fiscal year 2019.

Total revenues increased approximately \$1,390,000 (6.3%) from fiscal year 2018 to 2019. This increase is largely attributed to increases from State sources, local property taxes, and interest income. Increases in State sources are largely related to on-behalf revenues the College is required to recognize in accordance with generally accepted accounting principles for the State's share of pension and OPEB expenses.

# Sauk Valley Community College District 506

## Management's Discussion and Analysis

### For the Year Ended June 30, 2019

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Total expenses increased approximately \$993,000 (4.4%) from fiscal year 2018 to 2019. The College saw increases in expenses related to instruction, student services, public services, operations and maintenance, institutional support, depreciation, and interest on long-term debt. These increases were partially offset by decreases in expenses related to academic support, independent operations, and scholarships, grants, and waivers.

#### Capital Assets

The College had numerous ongoing capital projects during fiscal year 2019. Capital additions accumulated through construction in-process totaled approximately \$3,187,000 during fiscal year 2019. See Note 3 for details of capital assets.

Capital projects completed during fiscal year 2019 totaled approximately \$2,716,000 and included the following: (1) 3<sup>rd</sup> Floor Asbestos Abatement, (2) Water System Improvements, (3) 3<sup>rd</sup> Floor Classroom Renovations, (4) Boiler Replacement, and (5) various other small remodeling projects. Projects that were still in the development or active construction phases as of June 30, 2019 include the following: (1) Window Improvements, (2) Electrical and Security Improvements, (3) Fire System Improvements, (4) Air Handler and Hot Water Tank Replacements, (5) Underground Fuel Tank Disposal, and (6) Tennis Shed. Construction in-progress included approximately \$1,849,000 as of June 30, 2019.

The College incurred approximately \$378,000 for capital equipment during fiscal year 2019 and disposed fully-depreciated equipment totaling approximately \$29,000.

Capital expenditures were funded from local sources during fiscal year 2019.

Depreciation expense for fiscal year 2019 was approximately \$1,238,000, an increase of approximately \$85,000 (7.4%) from fiscal year 2018.

#### Long-Term Debt Activity

On October 17, 2018, the College issued General Obligation Community College Bonds, Series 2018C, with a par value of \$5,175,000 to refund the future debt obligations of the Series 2018A and Series 2018B General Obligation Debt Certificates. Debt service for Series 2018C extend from fiscal year 2021 through 2023. See Note 4 for details of long-term debt.

The College had \$6,190,000 of general obligation community college bonds outstanding as of June 30, 2019. Of that amount, \$1,015,000 will be due during fiscal year 2020. The College made a principal payment totaling \$985,000 during fiscal year 2019.

Interest expense for fiscal year 2019 was approximately \$204,000, which was \$148,000 (264.3%) higher than during fiscal year 2018.

The College's most recent Standard & Poor's bond rating (2018) was "AA-". State statute limits the amount of debt a school district may have outstanding. The College's outstanding balance as of June 30, 2019 is approximately \$44,763,000 under the statutory limit.

# **Sauk Valley Community College District 506**

## **Management's Discussion and Analysis**

### **For the Year Ended June 30, 2019**

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#### **Economic Factors that will Affect the Future**

The College derives its funding primarily from three sources: (1) Tuition and fees, (2) Property taxes, and (3) State and federal grants. The College does not anticipate a substantial change in property tax revenues during fiscal year 2020 for operational purposes. The College District is largely supported from a stable agricultural and rural commercial property value base, and College administration does not anticipate any significant fluctuations up-or-down over the next fiscal year. College administration monitors residential and commercial property values and economic activity to forecast future funding impacts on the College.

Early enrollment reporting for academic year 2019-20 indicate an increase in paid credit hour enrollment. College administration monitors full-time equivalent and credit hour enrollment closely to plan for the upcoming fiscal year's budget and provide educational programs desired by the College District population.

The State passed a timely fiscal year 2020 budget, providing a higher level of certainty regarding State funding to the College.

#### **Requests for Information**

This Annual Financial Report is designed to provide a general overview of the 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 Services  
Sauk Valley Community College District 506  
173 Illinois Rte. 2  
Dixon, IL 61021  
Phone number (815) 835-6253

## **BASIC FINANCIAL STATEMENTS**

# Sauk Valley Community College District 506

## Statement of Net Position/Net Assets

June 30, 2019

	Primary Institution Business-Type Activities	Component Unit Foundation
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$1,915,424	\$715,868
Deposits	2,999,990	693,000
Short-term investments	10,117,903	5,804,082
Property taxes receivable	5,325,304	0
Other receivables	580,431	46,787
Inventory	1,960	0
Prepaid expenses	163,010	2,454
<b>Total current assets</b>	<b>21,104,022</b>	<b>7,262,191</b>
Noncurrent assets:		
Long-term investments	1,331,820	0
Assets held by College Foundation	1,940,057	0
Capital assets	46,287,658	0
Less accumulated depreciation	(17,561,877)	0
<b>Total noncurrent assets</b>	<b>31,997,658</b>	<b>0</b>
<b>Total assets</b>	<b>53,101,680</b>	<b>7,262,191</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to OPEB	538,156	0
Related to pension	45,900	0
<b>Total deferred outflows of resources</b>	<b>584,056</b>	<b>0</b>
<b>Total assets and deferred outflows of resources</b>	<b>53,685,736</b>	<b>7,262,191</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	662,074	0
Accrued liabilities	555,743	0
Unearned tuition and fees	275,674	0
Accrued compensated absences	194,553	0
Bonds payable	1,114,053	0
<b>Total current liabilities</b>	<b>2,802,097</b>	<b>0</b>
Noncurrent liabilities:		
Accrued compensated absences	97,277	0
Assets held for College	0	1,940,057
Net OPEB liability	7,956,259	0
Bonds payable	5,290,165	0
<b>Total noncurrent liabilities</b>	<b>13,343,701</b>	<b>1,940,057</b>
<b>Total liabilities</b>	<b>16,145,798</b>	<b>1,940,057</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred property tax revenue	3,798,119	0
Related to OPEB	1,200,077	0
<b>Total deferred inflows of resources</b>	<b>4,998,196</b>	<b>0</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>21,143,994</b>	<b>0</b>
<b>NET POSITION / NET ASSETS</b>		
Net investment in capital assets	22,535,781	0
Restricted:		
Nonexpendable, scholarships	0	4,567,083
Expendable:		
Capital projects	3,009,235	0
Debt service	690,669	0
Working cash	2,276,872	0
Audit	4,166	0
Unrestricted	4,025,019	755,051
<b>Total net position / net assets</b>	<b>\$32,541,742</b>	<b>\$5,322,134</b>

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, 2019

	Primary Institution Business-Type Activities	Component Unit Foundation
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$2,296,275	\$2,855,946	\$0
Auxiliary enterprises revenue	213,185	0
Contributions	0	676,616
Other	0	32,390
<b>Total operating revenue</b>	<b>3,069,131</b>	<b>709,006</b>
Operating expenses:		
Instruction	7,427,756	0
Academic support	1,435,718	0
Student services	2,396,556	0
Public services	1,279,543	0
Auxiliary services	502,113	0
Operation and maintenance	2,022,547	0
Institutional support	4,426,380	365,848
Scholarships, student grants, and waivers	2,422,885	406,924
Depreciation expense	1,237,757	0
<b>Total operating expenses</b>	<b>23,151,255</b>	<b>772,772</b>
<b>Operating income (loss)</b>	<b>(20,082,124)</b>	<b>(63,766)</b>
Nonoperating revenues (expenses):		
State grants	7,462,318	0
Federal grants	4,445,482	0
Property taxes	7,441,320	0
Personal property replacement tax	460,342	0
Investment income	377,909	462,000
Other nonoperating revenues	310,503	0
Interest expense	(203,648)	0
<b>Net nonoperating revenues (expenses)</b>	<b>20,294,226</b>	<b>462,000</b>
<b>Change in net position / net assets</b>	<b>212,102</b>	<b>398,234</b>
Net position / net assets:		
Beginning of year	32,329,640	4,923,900
<b>End of year</b>	<b>\$32,541,742</b>	<b>\$5,322,134</b>

See Notes to Financial Statements.

# Sauk Valley Community College District 506

## Statement of Cash Flows

For the year ended June 30, 2019

	<u>Primary Institution</u> <u>Business-Type</u> <u>Activities</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Tuition and fees	\$5,157,021
Payments to suppliers	(4,518,062)
Payments to employees	(8,684,564)
Payments to students for scholarships and student grants	(4,719,160)
Auxiliary enterprise charges	213,185
Net cash used in operating activities	(12,551,580)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Proceeds from property taxes	7,366,229
Proceeds from grants	7,110,154
Net cash provided by noncapital financing activities	14,476,383
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchases of capital assets	(3,649,873)
Proceeds from issuance of long-term debt	5,412,136
Principal refunded on issuance of long-term debt	(5,025,000)
Principal paid on bonds payable	(985,000)
Interest paid on bonds payable	(299,306)
Net cash provided by (used in) capital and related financing activities	(4,547,043)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	717,740
Proceeds from maturities of investment securities	4,033,987
Purchases of investment securities	(2,647,931)
Net cash provided by (used in) investing activities	2,103,796
Net increase (decrease) in cash and cash equivalents	(518,444)
<b>CASH AND CASH EQUIVALENTS:</b>	
Beginning of year	2,433,868
End of year	\$1,915,424

See Notes to Financial Statements.

# Sauk Valley Community College District 506

## Statement of Cash Flows (Continued)

For the year ended June 30, 2019

	<u>Primary Institution</u> <u>Business-Type</u> <u>Activities</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED</b>	
<b>IN OPERATING ACTIVITIES:</b>	
Operating loss	(\$20,082,124)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,237,757
State on-behalf payments for fringe benefits	5,436,205
Changes in assets and liabilities:	
Inventory	(564)
Prepaid expenses	(25,694)
Receivables	(36,009)
Deferred outflows of resources	(20,007)
Accounts payable	(50,590)
Accrued liabilities	326,981
Accrued compensated absences	48,058
OPEB liability	54,203
Deferred inflows of resources	519,395
Unearned tuition and fees	40,809
<b>Net cash used in operating activities</b>	<b>(\$12,551,580)</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCIAL:</b>	
Increase (decrease) in fair value of investments and amortization/accretion	\$367,735
Acquisition of capital assets using accounts payable	\$401,944
<b>STATE ON-BEHALF PAYMENTS</b>	<b>\$5,436,205</b>

See Notes to Financial Statements.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 1 Summary of Significant Accounting Policies

#### **Nature of entity**

Sauk Valley Community College District 506 (the College) is organized in accordance with the Public Community College Act (110 ILCS 805/). The Board of Trustees (the Board) has the governing responsibilities over all activities related to public post and secondary school education within the College's District. 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 overall decision-making authority, the power to designate management authority 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 reporting entity**

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

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a 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 with accounting guidance prescribed by the Financial Accounting Standard Board (FASB). 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

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### 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 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.

#### **Adoption of New Accounting Pronouncements**

During fiscal year 2019, the College implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which requires all interest costs to be recognized as an expense in the current period. This statement requires implementation to be applied prospectively.

#### **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 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**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, nonnegotiable certificates of deposit and investments with a maturity of less than one year at date of purchase are stated at amortized cost, which approximates fair value. All other investments are stated at fair value.

#### **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 and federal funding agencies. The College has a reserve of \$75,000 for uncollectible student tuition and fees. The College wrote off approximately \$2,000 of tuition and fees during the year ended June 30, 2019.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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

#### Property taxes

The College's property taxes are levied each calendar year on all taxable real property located in the College's district. Property taxes are recorded on an accrual basis of accounting. Pursuant to the Board's resolution, property tax levies are allocated 50 percent for each of the two fiscal years after the levy year. Accordingly, the College estimates 50 percent of property taxes extended for the 2018 tax year and collected in 2019 are recorded as revenue in fiscal year 2019. The remaining 50 percent of revenues related to tax year 2018 has been deferred and will be recorded as revenue in fiscal year 2020. The 50 percent allocation is an approximation based on tax collections in prior years.

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, immediately following 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 prior to the end of the fiscal year that are related to the subsequent fiscal year.

#### 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

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### 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.

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, the statement of net position reports separates a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time.

A deferred charge on bond refunding results when the carrying value of the refunded debt is less than the reacquisition price (loss on refunding); the loss from the refunding is deferred and amortized over the shorter of the life of the refunded bonds or the new bonds issued. The deferred contributions to SURS represent the federal, trust, or grant contributions made by the College to SURS subsequent to the pension liability measurement date. The contributions will be recognized as an expense in the next fiscal year.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time. Deferred revenue, which is derived from property taxes, are deferred and recognized as an inflow of resources in the period that the amounts become available.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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

Other postemployment benefits (OPEB) expense, as well as deferred outflows of resources and deferred inflows of resources related to OPEB, should be recognized for the employers' (and non-employer contributing entity's) proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB.

Other than differences between projected and actual investment earnings, deferred inflows and outflows of resources are recognized in OPEB expense beginning in the current period, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active and inactive), determined as of the beginning of the measurement period.

### **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.

### **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 2019 and 2018, the state made contributions of \$5,436,205 and \$4,602,095, respectively.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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

#### 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 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

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### 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 net position 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 statement of net position according to liquidity and intended use.

Cash and deposits as of June 30, 2019 consist of the following:

	<b>Carrying Amount</b>
Cash on hand	\$1,200
Deposits with financial institutions	4,914,214
<b>Total</b>	<b>\$4,915,414</b>

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, 2019, 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	\$1,879,012	\$1,879,012	\$0	\$0	\$0
Local government investment pool	2,528,601	2,528,601	0	0	0
Certificate of deposit	6,442,176	5,710,290	731,886	0	0
U.S. Government agency securities	599,934	0	0	599,934	0
<b>Total</b>	<b>\$11,449,723</b>	<b>\$10,117,903</b>	<b>\$731,886</b>	<b>\$599,934</b>	<b>\$0</b>

As of June 30, 2019, 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	\$1,879,012	\$1,811,201	\$0	\$0	\$67,811
Local government investment pool	2,528,601	2,528,601	0	0	0
Certificate of deposit	6,442,176	0	0	0	6,442,176
U.S. Government agency securities	599,934	0	599,934	0	0
<b>Total</b>	<b>\$11,449,723</b>	<b>\$4,339,802</b>	<b>\$599,934</b>	<b>\$0</b>	<b>\$6,509,987</b>

*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, 2019, the bank balances of the College's deposits were \$6,115,274. The College had pledged securities of \$4,365,284 and FDIC coverage of \$1,749,990.

*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, 2019, 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

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### Note 2 Cash and Investments (continued)

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, 2019:

	Total	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
<b>Assets measured at fair value on a recurring basis:</b>				
Certificates of deposit	\$6,442,176	\$0	\$6,442,176	\$0
U.S. Government agency securities	599,934	0	599,934	0
<b>Total investments</b>	<b>\$7,042,110</b>	<b>\$0</b>	<b>\$7,042,110</b>	<b>\$0</b>

# 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, 2019, is as follows:

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Nondepreciable assets:					
Land	\$162,651	\$0	\$0	\$0	\$162,651
Construction in progress	1,377,617	3,187,416	0	(2,715,985)	1,849,048
	1,540,268	3,187,416	0	(2,715,985)	2,011,699
Depreciable assets:					
Land improvements	2,703,570	39,122	0	0	2,742,692
Buildings	30,941,712	45,658	0	2,715,985	33,703,355
Equipment	7,481,238	377,677	(29,003)	0	7,829,912
	41,126,520	462,457	(29,003)	2,715,985	44,275,959
Less accumulated depreciation:					
Land improvements	1,088,226	54,137	0	0	1,142,363
Buildings	8,636,475	570,765	0	0	9,207,240
Equipment	6,628,422	612,855	(29,003)	0	7,212,274
	16,353,123	1,237,757	(29,003)	0	17,561,877
Depreciable assets, net	24,773,397	(775,300)	0	2,715,985	26,714,082
Capital assets, net	\$26,313,665	\$2,412,116	\$0	\$0	\$28,725,781

### Note 4 Long-Term Debt

The following is a summary of the long-term debt activity for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Refunding	Payments	Balance June 30, 2019	Due Within One Year
Long-term debt:						
General obligation bonds	\$2,000,000	\$0	\$5,175,000	\$985,000	\$6,190,000	\$1,015,000
Bond premiums (discounts)	72,740	237,136	0	95,658	214,218	99,053
Debt certificates	5,025,000	0	5,025,000	0	0	0
Compensated absences	243,772	494,074	0	446,016	291,830	194,553
Totals	\$7,341,512	\$731,210	\$150,000	\$1,526,674	\$6,696,048	\$1,308,606

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 4 Long-Term Debt (continued)

Details on the debt as of June 30, 2019 are as follows:

1. The College issued General Obligation Community College Bonds Series 2014 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:

<b>Series 2014 General Obligation Bond</b> <b>Fiscal year ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$1,015,000	\$30,450	\$1,045,450

2. The College issued General Obligation Community College Bonds Series 2018C dated October 17, 2018 in the amount of \$5,175,000 to refund the Series 2018A and Series 2018B General Obligation Debt Certificates. The Series 2018C issue provided for serial retirement of principal on February 1 of each year starting in 2021 through 2023 with interest due February 1 and August 1, with an interest rate of 4.0%. 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:

<b>Series 2018C General Obligation Refunding Bond</b> <b>Fiscal year ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$0	\$266,800	\$266,800
2021	1,655,000	207,000	1,862,000
2022	1,725,000	140,800	1,865,800
2023	1,795,000	71,800	1,866,800
<b>Total debt maturities</b>	<b>\$5,175,000</b>	<b>\$686,400</b>	<b>\$5,861,400</b>

### **Defeasance of Debt Certificates**

On October 17, 2018, the College issued \$5,175,000 of General Obligation Community College Bonds Series 2018C to refund the future debt obligations of the Series 2018A and Series 2018B General Obligation Debt Certificates. As a result, the refunded debt certificates are considered to be defeased and the liability has been removed from the statement of net position. This refunding was undertaken to reduce total debt service payments over the next 5 years by \$59,364 and resulted in an economic gain of \$162,825.

# 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, 2019, including interest, are as follows:

Year Ending June 30,	General Obligation Bonds	Compensated Absences	Total Principal	Interest	Total Principal And Interest
2020	\$1,015,000	\$194,553	\$1,209,553	\$297,250	\$1,506,803
2021	1,655,000	97,277	1,752,277	207,000	1,959,277
2022	1,725,000	0	1,725,000	140,800	1,865,800
2023	1,795,000	0	1,795,000	71,800	1,866,800
<b>Total</b>	<b>\$6,190,000</b>	<b>\$291,830</b>	<b>\$6,481,830</b>	<b>\$716,850</b>	<b>\$7,198,680</b>

The following is a schedule of the legal debt margin of the College as of June 30, 2019:

Assessed valuation – 2018 levy	\$1,772,278,033
Debt limit – 2.875% of assessed valuation	50,952,993
Less indebtedness	(6,190,000)
Legal debt margin, June 30, 2019	\$44,762,993

### 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](http://www.SURS.org).

*Benefits Provided.* A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2018 can be found in the State Universities Retirement System's comprehensive annual financial report (CAFR) Notes to the Financial Statements.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### 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 2018 and 2019 respectively, was 12.46% and 12.29% 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, 2018. At June 30, 2018, SURS reported a net pension liability (NPL) of \$27,494,556,682.

##### *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 \$50,507,501 or 0.1837%. This amount should not be recognized in the financial statement. The net pension liability and total pension 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 pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2018.

##### *Pension Expense.*

At June 30, 2018 SURS reported a collective net pension expense of \$2,685,322,700.

##### *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 2018. As a result, the College recognized on-behalf revenue and pension expense of \$4,932,938 for the fiscal year ended June 30, 2019.

# 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	\$65,521,614	\$181,032,053
Changes in assumption	1,286,257,095	123,218,306
Net difference between projected and actual earnings on pension plan investments	26,810,634	0
<b>Total</b>	<b>\$1,378,589,343</b>	<b>\$304,250,359</b>

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

Year Ending June 30	Net Deferred Outflows of Resources
2019	\$763,171,084
2020	540,443,042
2021	(192,612,398)
2022	(36,662,744)
<b>Total</b>	<b>\$1,074,338,984</b>

#### **Employer Deferral of Fiscal Year 2019 Pension Expense**

The College paid \$45,900 in federal, trust or grant contributions for the fiscal year ended June 30, 2019. These contributions were made subsequent to the pension liability date of June 30, 2018 and are recognized as Deferred Outflows of Resources as of June 30, 2019.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 5 Defined Benefit Pension Plans (continued)

#### Assumptions and Other Inputs

*Actuarial assumptions.* The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period June 30, 2014 – 2017. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.25 to 12.25 percent, including inflation
Investment rate of return	6.75 percent beginning with the actuarial valuation as of June 30, 2018

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, 2018, 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%	5.00%
Private Equity	6%	8.50%
Non-U.S. Equity	19%	6.45%
Global Equity	8%	6.00%
Fixed Income	19%	1.50%
Treasury-Inflation Protected Securities	4%	0.75%
Emerging Market Debt	3%	3.65%
Real Estate REITS	4%	5.45%
Direct Real Estate	6%	4.75%
Commodities	2%	2.00%
Hedged Strategies	5%	2.85%
Opportunity Fund	<u>1%</u>	<u>7.00%</u>
<b>Total</b>	100%	4.55%
<b>Inflation</b>		<u>2.25%</u>
<b>Expected Arithmetic Return</b>		<b>7.30%</b>

# Sauk Valley Community College District 506

## Notes to Financial Statements

### Note 5 Defined Benefit Pension Plans (continued)

*Discount Rate.* A single discount rate of 6.65% 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 6.75% and a municipal bond rate of 3.62% (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 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, 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 6.65%, 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 5.65%	Current Single Discount Rate Assumption 6.65%	1% Increase 7.65%
\$33,352,188,584	\$27,494,556,682	\$22,650,651,520

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

### Note 6 Other 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

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### Note 6 Other Post-Employment Benefits (continued)

*Plan membership.* All members receiving benefits from the State Universities Retirement System (SURS) who have been full-time employees of a community college district or an association of a community college who have paid the required active member CIP contributions prior to retirement are eligible to participate in CIP. Survivors of an annuitant or benefit recipient eligible for CIP coverage are also eligible for coverage under CIP.

*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.

### **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, 2018. CIP reported a net OPEB liability at June 30, 2018 of \$1,885,251,764.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### 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 \$7,956,257 or 0.4220%. This amount is recognized in the financial statement. The change in the College's proportionate net OPEB liability was a decrease of 0.0113%. The proportionate share of the State's net OPEB liability associated with the College is \$7,956,259. The total proportionate share of the net OPEB liability associated with the College is \$15,912,518. 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 2018.

*OPEB Expense.* At June 30, 2018, CIP reported a collective net OPEB expense of \$125,287,478.

*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 2018. As a result, the College recognized on-behalf revenue of \$503,267 for the fiscal year ended June 30, 2019. Additionally, the College recognized OPEB expense of \$551,261 for the fiscal year ended June 30, 2019.

*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	\$116,938	\$17,426
Changes in assumption	0	995,889
Net difference between projected and actual earnings on OPEB plan investments	0	260
Changes in proportion and differences between employer contributions and share of contributions	383,174	186,502
Total deferred amounts to be recognized in pension expense in future periods	500,112	1,200,077
OPEB contributions made subsequent to the measurement date	38,044	0
<b>Total</b>	<b>\$538,156</b>	<b>\$1,200,077</b>

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 6 Other Post-Employment Benefits (continued)

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

The College reported \$38,044 as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the reporting year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future periods as follows:

<u>Year ended June 30:</u>	<u>Net Deferred Inflows of Resources</u>
2020	(\$117,247)
2021	(117,247)
2022	(117,247)
2023	(117,247)
2024	(117,247)
2025	(113,730)
Total	(\$699,965)

#### Assumptions and Other Inputs

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, 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
Healthcare cost trend rates	Actual trend used for fiscal year 2018 based on premium increases. For fiscal years on and after 2019, 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 0.41% is added to non-Medicare cost on and after 2022 to account for the Excise Tax.
Asset Valuation Method	Market value

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 6 Other Post-Employment Benefits (continued)

#### Assumptions and Other Inputs (continued)

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.

*Discount Rate.* 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 fixed income municipal bonds with the 20 years to maturity that include only federally tax-exempt municipal bonds reported in Fidelity's "20-year Municipal GO AA Index" has been selected. The discount rates are 3.56% as of June 30, 2017, and 3.62% as of June 30, 2018. The increase in the single discount rate from 3.56% to 3.62% caused the total OPEB liability to decrease by approximately \$16.5 million from 2017 to 2018.

#### 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 3.62% at June 30, 2018, 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 or lower than the current rate:

<b>Sensitivity of Net OPEB Liability as of June 30, 2018 to the Single Discount Rate Assumption</b>			
	<b>1% Decrease (2.62%)</b>	<b>Current Single Discount Rate Assumption (3.62%)</b>	<b>1% Increase (4.62%)</b>
Net OPEB liability	\$9,221,097	\$7,956,259	\$6,903,537

# 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 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 2019 decreasing to an ultimate trend rate of 4.91% in 2026, for non-Medicare coverage, and 9.00% in 2019 decreasing to an ultimate trend rate of 4.5% in 2028 for Medicare coverage.

**Sensitivity of Net OPEB Liability as of June 30, 2018  
to the Healthcare Cost Trend Rate Assumption**

	Healthcare Cost Trend		
	1% Decrease (a)	Rates Assumption	1% Increase (b)
Net OPEB liability	\$6,595,686	\$7,956,259	\$9,746,979

- (a) One percentage point decrease in healthcare trend rates are 7.00% in 2019 decreasing to an ultimate trend rate of 3.91% in 2026, for non-Medicare coverage, and 8.00% in 2019 decreasing to an ultimate trend rate of 3.50% in 2028 for Medicare coverage.
- (b) One percentage point increase in healthcare trend rates are 9.00% in 2019 decreasing to an ultimate trend rate of 5.91% in 2026, for non-Medicare coverage, and 10.00% in 2019 decreasing to an ultimate trend rate of 5.50% in 2028 for Medicare coverage.

### Note 7 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 2019, the College paid approximately \$108,130 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.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 7 Risk Management (continued)

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 was responsible for the first \$80,000 of covered medical expenses for each insured employee and covered family member and there was an unlimited maximum benefit per individual per life time. As of July 1, 2018, the College switched to a fully insured health coverage plan except for dental. Liabilities remaining are for expenses incurred before July 1, 2019 for dental. The College has accrued a liability of \$6,962 and \$3,215 as of June 30, 2019 and 2018, respectively, for dental claims incurred and reported as well as an estimate of claims incurred but not reported.

	2019	2018
Balance, July 1	\$3,215	\$178,823
Claims incurred	79,999	124,889
Claims paid	76,252	(300,497)
Balance, June 30	\$6,962	\$3,215

### Note 8 Impact of Pending Accounting Pronouncements

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.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### **Note 8     Impact of Pending Accounting Pronouncements (continued)**

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.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The College has not determined the effect of this Statement.

### **Note 9     Component Unit**

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

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

##### Nature of Business

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

The Foundation was established to assist in carrying out the educational functions of Sauk Valley Community College. The Foundation provides funds by campaign or by other means for scholarships 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.

##### Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

*Net assets without donor restrictions*: net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 9 Component Unit (continued)

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

*Net assets with donor restrictions:* net assets subject to donor or certain grantor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### 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, 2019, promises to give were \$32,346.

#### 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.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 9 Component Unit (continued)

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

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.

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, 2016.

#### 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.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 9 Component Unit (continued)

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

##### Assets Held for College

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.

##### 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 19, 2019 which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2019 have been incorporated herein. There are no other subsequent events that require disclosure.

##### Pending Accounting Pronouncements

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic organizations for annual periods beginning after December 15, 2018. Management is evaluating what impact this new standard will have on its financial statements.

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. ASU 2016-02 must be applied modified retrospectively. Management is evaluating what impact this new standard will have on its financial statements.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 9 Component Unit (continued)

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

##### Pending Accounting Pronouncements (continued)

In 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in ASU No. 2018-08 will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in ASU No. 2018-08 are effective for annual financial statements issued for the fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource recipient. Early application of the amendments in ASU No. 2018-08 is permitted. The Foundation has not elected to early implement the amendments.

##### Change in Accounting Policies

In 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-profit Entities. This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses

#### Liquidity and Availability of Financial Assets:

The Foundation's primary sources of support are contributions, fundraising and income from investing its endowment. Most of that support is required to be used in accordance with the purpose restrictions imposed by the donors. The following table reflects the Foundation's financial assets as of June 30, 2019, reduced by amounts not available for general expenditures:

Total financial assets	\$7,259,737
Less those unavailable for general expenditure within one year due to:	
Funds held for others	1,940,057
Purpose restrictions	1,662,424
Perpetual endowments	2,904,659
<hr/>	
Financial assts available to meet cash needs for general expenditures within one year	<u>\$752,597</u>

#### 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, 2019 consisted of the following:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Multi-Strategy Equity Funds	\$3,533,558	\$2,619,707	\$913,851
Multi-Strategy Bond Funds	2,270,524	2,246,803	23,721
<hr/>			
	\$5,804,082	\$4,866,510	\$937,572

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 9 Component Unit (continued)

#### Investments (continued)

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Interest and dividends	\$102,057	\$41,585	\$143,642
Unrealized gains (losses)	136,898	120,594	257,492
Realized gains (losses)	0	79,968	79,968
Investment fees	(8,274)	(10,828)	(19,102)
Total	\$230,681	\$231,319	\$462,000

#### 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 9 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, 2019 is as follows:

	Without Donor Restriction	With Donor Restriction	Total Endowment Assets
Donor-restricted endowment funds	\$0	\$3,693,833	\$3,693,833

Changes in endowment net assets as of June 30, 2019 are as follows:

	Without Donor Restriction	With Donor Restriction	Total Endowment Assets
Endowment net assets, beg of year	\$0	\$3,477,856	\$3,477,856
Investment return:			
Interest income	0	30,855	30,855
Net appreciation (realized and unrealized) on investments	0	200,459	200,459
Total investment return	0	231,314	231,314
Contributions	0	12,349	129,349
Reclassification per donor agreement	0	100,357	100,357
Appropriation of endowment assets for expenditure	0	(128,043)	(128,043)
Endowment net assets, end of year	\$0	\$3,693,833	\$3,693,833

#### 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, 2019.

#### 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

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### Note 9 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.

#### **Net Assets with Donor Restrictions:**

Net assets with donor restrictions consist of the following as of June 30, 2019

Subject to expenditure for specified purpose:	
Student scholarships, awards and College support	\$1,662,424
Endowment subject to spending policy and appropriation	2,904,659
	<hr/>
Net assets with donor restrictions	\$4,567,083

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, with donor restriction net assets are reclassified to without donor restriction 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, 2019 for scholarships, awards and College support totaled \$372,339.

The Foundation also reclassified \$42,480 of without donor restricted funds to with donor restrictions due to change in donor restrictions.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 9 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, 2019 is as follows:

Total Pledges Receivable	\$38,205
Less discounts to net present value	(5,859)
<hr/>	
Pledges Receivable	\$32,346
<hr/>	
Amounts due in:	
Less than one year	\$7,705
Due in more than one year	24,641
<hr/>	
Pledges Receivable	\$32,346
<hr/>	

#### 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)	\$32,713
Net unrealized gains (losses)	104,185
	<hr/> 136,898
Deductions:	
Distributions to Foundation	<hr/> (136,898)
Change in funds held for others	0
Balance, beginning of year	<hr/> 1,940,057
Balance, end of year	<hr/> \$1,940,057

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.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 9 Component Unit (continued)

#### Fair Value of Financial Instruments:

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.

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.

# Sauk Valley Community College District 506

## Notes to Financial Statements

### Note 9 Component Unit (continued)

#### Fair Value of Financial Instruments (continued)

At June 30, 2019, 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	\$3,533,558	Monthly	5 days
Multi-strategy bond fund	2,270,524	Monthly	5 days
Total	\$5,804,082		

The Foundation does not have any unfunded commitments related to the above investments as of June 30, 2019.

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, 2018	\$3,332,637	\$1,666,544	\$4,999,181
Purchases	532,818	539,211	1,072,029
Sales	(586,000)	0	(586,000)
Fees	(13,066)	(5,940)	(19,006)
Distributions to College	(32,367)	(88,669)	(121,036)
Unrealized gains	299,536	159,378	458,914
Fair Value as of June 30, 2019	\$3,533,558	\$2,270,524	\$5,804,082

#### 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 \$181,320 for the year ended June 30, 2019 and is recognized as both a revenue and expense in the statement of activities. The Foundation paid the College \$267,006 for scholarships during the year ended June 30, 2019.

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, 2019, the Foundation has assets held for the College in the amount of \$1,940,057.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### **Note 10 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, 2019, the College had a construction project with a commitment.

In fiscal year 2019, the College entered into an agreement with Loescher Heating and Air Conditioning for the 2019 Air Handler and Hot Water Storage Tank Replacements. Total budgeted costs for the project are budgeted at \$2,022,977. As of June 30, 2019, the College had spent \$1,605,371 related to the project, with the remaining balance of the project to be completed and paid in fiscal year 2020.

### **Note 11 Related Party Transactions (Assets Held at College Foundation)**

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, 2019, the College has assets held by the Foundation in the amount of \$1,940,057, which is included as a noncurrent asset on the College's statement of net position.

## **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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion percentage of the collective net pension liability	0%	0%	0%	0%	0%					
Proportion amount of the collective net pension liability	\$0	\$0	\$0	\$0	\$0					
Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with the College	\$50,507,501	\$48,210,253	\$48,793,621	\$46,145,300	\$42,099,735					
College defined benefit covered payroll	\$6,589,334	\$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 defined benefit covered payroll	766.50%	719.18%	716.66%	647.08%	595.49%					
SURS plan net position as a percentage of total pension liability	41.27%	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.

See Accompanying Notes to Required Supplementary Information.

# Sauk Valley Community College District 506

## Schedule of Pension Contributions

Last 10 Fiscal Years

(Schedule to be Built Prospectively from 2014)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Federal, trust, grant and other contribution	\$45,900	\$48,230	\$33,963	\$30,773	\$26,915	\$26,184				
Contribution in relation to required contribution	45,900	48,230	33,963	30,773	26,915	26,184				
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0				
College covered payroll	\$6,828,994	\$6,589,334	\$6,703,520	\$6,808,441	\$7,131,343	\$7,069,741				
Contribution as a percentage of covered - employee payroll	0.67%	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 2016)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion percentage of the collective net OPEB liability	0.42%	0.43%	0.40%							
Proportion amount of the collective net OPEB liability	\$7,956,259	\$7,902,056	\$7,311,338							
Portion of nonemployer contributing entities' total proportion of collective net OPEB liability associated with the College	\$7,956,259	\$7,797,981	\$7,617,792							
Total collective net OPEB liability associated with the College	\$15,912,518	\$15,700,037	\$14,929,130							
College covered payroll	\$6,589,334	\$6,703,520	\$6,808,441							
Proportion of collective net OPEB liability associated with the College as a percentage of covered payroll	241.49%	234.21%	219.27%							
College insurance plan net position as a percentage of total OPEB liability	-3.54%	-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 2016)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$38,044	\$36,854	\$37,593	\$36,410						
Contribution in relation to the required statutorily	38,044	36,854	37,593	36,410						
Contribution deficiency (excess)	\$0	\$0	\$0	\$0						
College covered payroll	\$6,828,994	\$6,539,334	\$6,703,520	\$6,808,441						
Contribution as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%						

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

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### **Note 1. Changes of Benefit Terms:**

There were no benefit changes recognized in the Total Pension Liability as of June 30, 2018.

### **Note 2. Changes of Assumptions:**

In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2014 to June 30, 2017 was performed in February 2018, resulting in the adoption of new assumptions as of June 30, 2018.

- Salary increase. Decrease in the overall assumed salary increase rates, ranging from 3.25 percent to 12.25 percent based on years of service, with underlying wage inflation of 2.25 percent.
- Investment return. Decrease the investment return assumption to 6.75 percent. This reflects maintaining an assumed real rate of return of 4.50 percent and decreasing the underlying assumed price inflation to 2.25 percent.
- Effective rate of interest. Decrease the long-term assumption for the ERI for crediting the money purchase accounts to 6.75 percent (effective July 2, 2019.)
- Normal retirement rates. A slight increase in the retirement rate at age 50. No change rates for ages 60-61, 67-74 and 80+, but a slight decrease in rates at all other ages. A rate of 50 percent if the member has 40 or more years of service and is younger than age 80.
- Early retirement rates. Decrease in the rates for all Tier 1 early retirement eligibility ages (55-59).
- Turnover rates. Change rates 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.
- Mortality rates. Maintain the RP-2014 mortality tables with projected generational mortality improvement. Update the projection scale from the MP2014 to the MP-2017 scale.
- Disability rates. Decrease current rates to reflect that certain members who receive disability benefits do not receive the benefits on a long-term basis.

### **Note 3. Changes of OPEB Benefit Terms:**

There were no benefit changes recognized in the Total OPEB Liability as of June 30, 2018.

### **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.

- Healthcare cost trend rates. Change from actual trend used for fiscal year 2017 to actual trend used for fiscal year 2018 based on premium increases. Change the additional trend rate of 0.52% is added to non-Medicare cost on and after 2020 to account for the Excise Tax for fiscal year 2017 to additional trend rate of 0.41% is added to non-Medicare cost on and after 2022 to account for the Excise Tax for fiscal year 2018.

## **Supplemental Financial Information**

# **Sauk Valley Community College District 506**

## **Supplemental Financial Information Section**

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### **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, 2019

	Education Fund	Operations and Maintenance Fund	Operations and Maintenance Fund (Restricted)	Bond and Interest Fund
Fund balance (deficit) at July 1, 2018	\$7,907,365	\$25,632	\$5,728,816	\$813,043
Revenue:				
Local taxes	4,977,437	569,579	852,157	1,045,715
All other local government	0	0	0	0
ICCB grants	1,415,179	158,871	0	0
All other state revenue	0	0	0	0
Federal revenue	4,855	0	0	0
Student tuition and fees	4,417,541	472,770	0	0
On-Behalf CIP	0	0	0	0
On-Behalf SURS	0	0	0	0
All other revenue	369,776	36,232	137,872	1,433
<b>Total revenue</b>	<b>11,184,788</b>	<b>1,237,452</b>	<b>990,029</b>	<b>1,047,148</b>
Expenditures:				
Instruction	4,509,093	0	177,993	0
Academic support	957,436	0	52,772	0
Student services	1,202,881	0	3,362	0
Public service	517,671	0	0	0
Auxiliary services	0	0	0	0
Operation and maintenance	0	1,291,309	31,940	0
Institutional support	2,445,442	0	77,432	750
Scholarships, student grants, and waivers	767,883	0	1,619	0
Principal retirement	0	0	0	985,000
Interest	0	0	0	183,771
Debt issuance costs	0	0	0	80,666
Building construction, building improvements, and equipment	11,511	0	3,636,094	0
<b>Total expenditures</b>	<b>10,411,917</b>	<b>1,291,309</b>	<b>3,981,212</b>	<b>1,250,187</b>
Other financing sources (uses):				
Proceeds from issuance of long-term debt	0	0	0	5,175,000
Net premium (discount) on bonds sold	0	0	0	237,136
Payment to refunded bonds escrow agent	0	0	0	(5,059,869)
Transfers in	0	65,504	271,602	0
Transfers out	(95,077)	(3,655)	0	(271,602)
	(95,077)	61,849	271,602	80,665
<b>Fund balance (deficit) at June 30, 2019</b>	<b>\$8,585,159</b>	<b>\$33,624</b>	<b>\$3,009,235</b>	<b>\$690,669</b>

# Sauk Valley Community College District 506

## Uniform Financial Statement #1

### All Funds Summary

(Continued)

For the year ended June 30, 2019

	Auxiliary Enterprise Fund	Restricted Purpose Fund	Working Cash Fund	Trust and Agency Fund
Fund balance (deficit) at July 1, 2018	\$445,064	\$80	\$2,213,240	\$0
Revenue:				
Local taxes	0	0	0	0
All other local government	0	0	0	0
ICCB grants	0	130,624	0	0
All other state revenue	0	321,439	0	0
Federal revenue	0	4,440,627	0	0
Student tuition and fees	269,671	0	0	0
On-Behalf CIP	0	503,267	0	0
On-Behalf SURS	0	4,932,938	0	0
All other revenue	2,043,724	128,182	30,404	0
Total revenue	2,313,395	10,457,077	30,404	0
Expenditures:				
Instruction	0	2,683,787	0	0
Academic support	0	425,510	0	0
Student services	0	1,190,313	0	0
Public service	0	761,872	0	0
Auxiliary services	2,385,591	89,614	0	0
Operation and maintenance	0	439,275	0	0
Institutional support	0	937,341	0	0
Scholarships, student grants, and waivers	0	3,949,658	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	2,268	0	0
Total expenditures	2,385,591	10,479,638	0	0
Other financing sources (uses):				
Proceeds from issuance of long-term debt	0	0	0	0
Net premium (discount) on bonds sold	0	0	0	0
Payment to refunded bonds escrow agent	0	0	0	0
Transfers in	70,195	47,880	33,228	0
Transfers out	(70,195)	(47,880)	0	0
	0	0	33,228	0
Fund balance (deficit) at June 30, 2019	\$372,868	(\$22,481)	\$2,276,872	\$0

# Sauk Valley Community College District 506

## Uniform Financial Statement #1

### All Funds Summary

(Continued)

For the year ended June 30, 2019

	Audit Fund	Liability, Protection, and Settlement Fund	Total
Fund balance (deficit) at July 1, 2018	\$3,321	\$3,900,877	\$21,037,438
Revenue:			
Local taxes	56,495	400,279	7,901,662
All other local government	0	0	0
ICCB grants	0	0	1,704,674
All other state revenue	0	0	321,439
Federal revenue	0	0	4,445,482
Student tuition and fees	0	0	5,159,982
On-Behalf CIP	0	0	503,267
On-Behalf SURS	0	0	4,932,938
All other revenue	35	137,308	2,884,966
Total revenue	56,530	537,587	27,854,410
Expenditures:			
Instruction	0	0	7,370,873
Academic support	0	0	1,435,718
Student services	0	0	2,396,556
Public service	0	0	1,279,543
Auxiliary services	0	10,277	2,485,482
Operation and maintenance	0	260,023	2,022,547
Institutional support	55,685	356,138	3,872,788
Scholarships, student grants, and waivers	0	0	4,719,160
Principal retirement	0	0	985,000
Interest	0	0	183,771
Debt issuance costs	0	0	80,666
Building construction, building improvements, and equipment	0	0	3,649,873
Total expenditures	55,685	626,438	30,481,977
Other financing sources (uses):			
Proceeds from issuance of long-term debt	0	0	5,175,000
Net premium (discount) on bonds sold	0	0	237,136
Payment to refunded bonds escrow agent	0	0	(5,059,869)
Transfers in	0	0	488,409
Transfers out	0	0	(488,409)
	0	0	352,267
Fund balance (deficit) at June 30, 2019	\$4,166	\$3,812,026	\$18,762,138

# Sauk Valley Community College District 506

## Uniform Financial Statement #2

### Summary of Fixed Assets and Debt \*

For the year ended June 30, 2019

	Fixed Assets/ Debt Account Groups July 1, 2018	Additions	Deletions	Reclassification	Fixed Assets/ Debt Account Groups June 30, 2019
Fixed assets:					
Sites and improvements	\$2,866,221	\$39,122	\$0	\$0	\$2,905,343
Buildings, additions and improvements	30,941,712	45,658	0	2,715,985	33,703,355
Equipment	7,481,238	377,677	29,003	0	7,829,912
Construction in process	1,377,617	3,187,416	0	(2,715,985)	1,849,048
<b>Total fixed assets</b>	<b>42,666,788</b>	<b>3,649,873</b>	<b>29,003</b>	<b>0</b>	<b>46,287,658</b>
Accumulated depreciation	16,353,123	1,237,757	29,003	0	17,561,877
<b>Total net fixed assets</b>	<b>\$26,313,665</b>	<b>\$2,412,116</b>	<b>\$0</b>	<b>\$0</b>	<b>\$28,725,781</b>
Fixed debts:					
Bonds payable	\$2,000,000	\$5,175,000	\$985,000	\$0	\$6,190,000
Bond premium	72,740	237,136	95,658	0	214,218
Debt certificates	5,025,000	0	5,025,000	0	0
OPEB liability	7,902,056	54,203	0	0	7,956,259
Other fixed liabilities	243,772	494,074	446,016	0	291,830
<b>Total fixed debts</b>	<b>\$15,243,568</b>	<b>\$5,960,413</b>	<b>\$6,551,674</b>	<b>\$0</b>	<b>\$14,652,307</b>

\* Sauk Valley Community College had no tax anticipation warrants or tax anticipation notes outstanding during the year ended June 30, 2019.

# Sauk Valley Community College District 506

## Uniform Financial Statement #3

### Operating Funds Revenues and Expenditures

For the year ended June 30, 2019

	Education Fund *	Operations and Maintenance Fund	Total Operating Funds
Operating revenues by source:			
Local government:			
Local taxes	\$4,567,733	\$518,941	\$5,086,674
Corporate personal property replacement tax	409,704	50,638	460,342
<b>Total local government</b>	<b>4,977,437</b>	<b>569,579</b>	<b>5,547,016</b>
State government:			
ICCB base operating grant	1,036,179	127,996	1,164,175
ICCB equalization grant	212,986	26,324	239,310
ICCB career and technical education	129,200	0	129,200
Other state sources	36,814	4,551	41,365
<b>Total state government</b>	<b>1,415,179</b>	<b>158,871</b>	<b>1,574,050</b>
Federal government:			
Department of Education	3,865	0	3,865
Other federal sources	990	0	990
<b>Total federal government</b>	<b>4,855</b>	<b>0</b>	<b>4,855</b>
		184,347	
Student tuition and fees:			
Tuition	4,023,529	472,770	4,496,299
Fees	394,012	0	394,012
<b>Total tuition and fees</b>	<b>4,417,541</b>	<b>472,770</b>	<b>4,890,311</b>
Other sources:			
Sales and service fees	182,602	0	182,602
Facilities revenue	0	14,025	14,025
Interest	91,394	619	92,013
Other	95,780	21,588	117,368
<b>Total other sources</b>	<b>369,776</b>	<b>36,232</b>	<b>406,008</b>
<b>Total revenue</b>	<b>11,184,788</b>	<b>1,237,452</b>	<b>12,422,240</b>
Less nonoperating items *			
Tuition chargeback revenue	0	0	0
<b>Adjusted revenue</b>	<b>\$11,184,788</b>	<b>\$1,237,452</b>	<b>\$12,422,240</b>

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

# Sauk Valley Community College District 506

## Uniform Financial Statement #3

### Operating Funds Revenues and Expenditures (Continued)

For the year ended June 30, 2019

	Education Fund *	Operations and Maintenance Fund	Total Operating Funds
Operating expenditures:			
By program:			
Instruction	\$4,520,604	\$0	\$4,520,604
Academic support	957,436	0	957,436
Student services	1,202,881	0	1,202,881
Public services	517,671	0	517,671
Auxiliary services	0	0	0
Operation and maintenance of plant	0	1,291,309	1,291,309
Institutional support	2,445,442	0	2,445,442
Scholarships, student grants, and waivers	767,883	0	767,883
<b>Total expenditures</b>	<b>10,411,917</b>	<b>1,291,309</b>	<b>11,703,226</b>
Less nonoperating items *			
Tuition chargeback	0	0	0
<b>Adjusted expenditures</b>	<b>\$10,411,917</b>	<b>\$1,291,309</b>	<b>\$11,703,226</b>
By object:			
Salaries	\$6,864,294	\$550,672	\$7,414,966
Employee benefits	1,397,383	184,347	1,581,730
Contractual services	754,331	98,411	852,742
General materials and supplies	513,409	51,767	565,176
Conference and meeting expense	129,563	1,026	130,589
Fixed charges	0	40,491	40,491
Utilities	0	359,668	359,668
Capital outlay	11,511	0	11,511
Other	741,426	4,927	746,353
<b>Total expenditures</b>	<b>10,411,917</b>	<b>1,291,309</b>	<b>11,703,226</b>
Less nonoperating items *			
Tuition chargeback	0	0	0
<b>Adjusted expenditures</b>	<b>\$10,411,917</b>	<b>\$1,291,309</b>	<b>\$11,703,226</b>

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

# Sauk Valley Community College District 506

## Uniform Financial Statement #4

### Restricted Purposes Fund Revenues and Expenditures

For the year ended June 30, 2019

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Revenue by source:

State government:

ICCB:

State Adult Education Restricted Funds	\$130,624
SURS on behalf contributions	4,932,938
CIP on behalf contributions	503,267
Illinois Veterans' Grant	63,634
ISAC - Monetary Award Grants	217,988
Other	39,817

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Total state government 5,888,268

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Federal government:

Department of Veteran Affairs:

Post 9/11 Veteran's Educational Assistance 25,549

Department of Education:

College Work Study Grants 173,585

Pell Grants 2,433,970

Supplemental Educational Opportunity Grant 68,853

Direct Loans 948,333

Federal Adult Basic 64,462

Trio - Student Support Services 278,577

Perkins Postsecondary 167,557

CTE Pathways to Results 14,408

Corporation for National and Community Service:

AmeriCorps 156,333

Small Business Administration

Small Business Development Centers 109,000

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Total federal government 4,440,627

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Revenue by source (continued):

Other sources 128,182

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Total restricted purposes fund revenues \$10,457,077

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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, 2019

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Expenditures by program:	
Instruction	\$2,683,787
Academic support	425,510
Student services	1,192,581
Public services	761,872
Auxiliary services	89,614
Operations and maintenance	439,275
Institutional support	937,341
Scholarships, student grants, and waivers	3,949,658
<hr/>	
Total restricted purposes fund expenditures by program	\$10,479,638
<hr/>	

Expenditures by object:	
Salaries	\$886,056
Employee benefits (including on-behalf)	5,561,273
Contractual services	22,297
General materials and supplies	96,305
Travel, conference and meeting expense	58,250
Fixed charges	0
Utilities	0
Capital outlay	2,268
Other	3,853,189
<hr/>	
Total restricted purposes fund expenditures by object	\$10,479,638
<hr/>	

# Sauk Valley Community College District 506

## Uniform Financial Statement #5

### Current Funds\* - Expenditures by Activity

For the year ended June 30, 2019

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Instruction:	
Instructional programs	\$4,671,873
Other	2,532,518
Total instructional	7,204,391
Academic support:	
Library	202,314
Academic computing support	138,582
Academic administration and planning	497,187
Other academic support	544,863
Total academic support	1,382,946
Student services:	
Admissions and records	292,463
Counseling and career guidance	668,533
Financial aid administration	203,098
Other student services	1,231,368
Total student services	2,395,462
Public service/continuing education:	
Community education	477,027
Community services	219,622
Other public service	582,894
Total public service/continuing education	1,279,543
Auxiliary services	2,485,482
Operations and maintenance of plant:	
Maintenance	297,776
Custodial	369,393
Grounds	119,064
Campus Security	259,087
Plant utilities	359,668
Administration	141,053
Other operations and maintenance	444,566
Total operations and maintenance of plant	1,990,607

\* 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, 2019

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Institutional support:	
Executive management	294,733
Fiscal operations	434,000
Community relations	480,697
Administrative support services	234,943
Board of trustees	26,342
General institution	497,571
Institutional research	60,446
Administrative data processing	828,533
Other institutional support	937,341
<hr/> Total institutional support	<hr/> 3,794,606
Scholarships, student grants, and waivers	4,717,541
<hr/>	<hr/>
Total current funds expenditures	\$25,250,578

\* 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 2020

All fiscal year 2019 noncapital audited operating expenditures from the following funds:	
1 Education Fund	\$10,400,406
2 Operations and Maintenance Fund	1,291,309
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	5,041,165
7 Audit Fund	55,685
8 Liability, Protection, and Settlement Fund	626,438
9 Auxiliary Enterprises Fund (subsidy only)	<u>0</u>
10 Total noncapital expenditures (sum of lines 1-6)	<u>\$17,415,003</u>
11 Depreciation on capital outlay expenditures (equipment, buildings, and fixed equipment paid) from sources other than state and federal funds	<u>\$1,159,362</u>
12 Total costs included (line 10 plus line 11)	<u>\$18,574,365</u>
13 Total certified semester credit hours for FY 2019	<u>33,100</u>
14 Per capita cost (line 12 divided by line 13)	\$561.16
15 All FY 2019 state and federal operating grants for noncapital expenditures, except ICCB grants	<u>\$4,894,945</u>
16 FY 2019 state and federal grants per semester credit hour (line 15 divided by line 13)	147.88
17 District's average ICCB grant rate (excluding equalization grants) for FY 2020	42.02
18 District's student tuition and fee rate per semester credit hour for FY 2020	<u>146.00</u>
19 Chargeback reimbursement per semester credit hour (line 14 less lines 16, 17, and 18)	<u>\$225.26</u>

Approved:   
Vice President of Business Services

October 30, 2019  
Date

  
President

October 30, 2019  
Date

## **Other Supplemental Financial Information**

# Sauk Valley Community College District 506

## Balance Sheet - All Fund Types

June 30, 2019

<b>ASSETS</b>	<b>Education</b>	<b>Operations and Maintenance</b>	<b>Operations and Maintenance Restricted</b>	<b>Bond and Interest</b>
Cash and cash equivalents	\$143,103	\$306,145	\$72,776	\$627,468
Deposits	999,990	0	0	0
Investments	2,453,721	16,704	4,881,688	0
Receivables:				
Property taxes	3,247,283	372,775	603,764	737,012
Government claims and grants	65,550	8,102	0	0
Other	167,757	696	6,652	388
Advances to other funds	2,396,447	0	0	0
Inventory	0	0	0	0
Prepaid items	225,040	42,313	16,660	0
Assets held by College Foundation	1,940,057	0	0	0
Property and equipment, net	0	0	0	0
<b>Total assets</b>	<b>11,638,948</b>	<b>746,735</b>	<b>5,581,540</b>	<b>1,364,868</b>
Deferred outflows of resources:				
Deferred OPEB	0	0	0	0
Deferred pension	0	0	0	0
<b>Total deferred outflows</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total assets and deferred outflows</b>	<b>\$11,638,948</b>	<b>\$746,735</b>	<b>\$5,581,540</b>	<b>\$1,364,868</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$91,435	\$33,827	\$440,577	\$0
Accrued liabilities	565,497	62,948	0	148,771
Advances from other funds	0	124,270	1,701,206	0
Unearned tuition and fees	80,266	226,224	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
<b>Total liabilities</b>	<b>737,198</b>	<b>447,269</b>	<b>2,141,783</b>	<b>148,771</b>
Deferred inflows of resources:				
Deferred property taxes	2,316,591	265,842	430,522	525,428
Deferred grant revenue	0	0	0	0
Deferred OPEB	0	0	0	0
<b>Total deferred inflows</b>	<b>2,316,591</b>	<b>265,842</b>	<b>430,522</b>	<b>525,428</b>
Fund balance / Net position (deficit):				
Net investment in capital assets	0	0	0	0
Restricted	0	0	3,009,235	690,669
Unrestricted	8,585,159	33,624	0	0
<b>Total fund balance/net position (deficit)</b>	<b>8,585,159</b>	<b>33,624</b>	<b>3,009,235</b>	<b>690,669</b>
<b>Total liabilities, deferred inflows of resources, and fund balances/net position</b>	<b>\$11,638,948</b>	<b>\$746,735</b>	<b>\$5,581,540</b>	<b>\$1,364,868</b>

# Sauk Valley Community College District 506

## Balance Sheet - All Fund Types (Continued)

June 30, 2019

<b>ASSETS</b>	<b>Auxiliary Enterprises Fund</b>	<b>Restricted Purpose</b>	<b>Working Cash Fund</b>	<b>Trust and Agency Fund</b>	<b>Audit</b>	<b>Liability, Protection, and Settlement Fund</b>
Cash and cash equivalents	\$534,555	\$33,791	\$135,651	\$61,935	\$0	\$0
Deposits	0	0	2,000,000	0	0	0
Investments	0	58,176	0	0	0	4,039,434
Receivables:						
Property taxes	0	0	0	0	37,464	327,006
Government claims and grants	0	276,205	0	0	0	0
Other	0	0	16,951	0	1	38,129
Advances to other funds	0	0	124,270	0	0	0
Inventory	1,960	0	0	0	0	0
Prepaid items	0	11,421	0	0	0	7,664
Assets held by College Foundation	0	0	0	0	0	0
Property and equipment, net	0	0	0	0	0	0
Total assets	536,515	379,593	2,276,872	61,935	37,465	4,412,233
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	\$536,515	\$379,593	\$2,276,872	\$61,935	\$37,465	\$4,412,233
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>						
Liabilities:						
Accounts payable	\$16,106	\$16,326	\$0	\$61,935	\$0	\$1,868
Accrued liabilities	7,948	36,998	0	0	190	25,221
Advances from other funds	0	348,750	0	0	6,402	340,089
Unearned tuition and fees	139,593	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	163,647	402,074	0	61,935	6,592	367,178
Deferred inflows of resources:						
Deferred property taxes	0	0	0	0	26,707	233,029
Deferred grant revenue	0	0	0	0	0	0
Deferred OPEB	0	0	0	0	0	0
Total deferred inflows	0	0	0	0	26,707	233,029
Fund balance / Net position (deficit):						
Net investment in capital assets	0	0	0	0	0	0
Restricted	0	0	2,276,872	0	4,166	0
Unrestricted	372,868	(22,481)	0	0	0	3,812,026
Total fund balance/net position (deficit)	372,868	(22,481)	2,276,872	0	4,166	3,812,026
Total liabilities, deferred inflows of resources, and fund balances/net position	\$536,515	\$379,593	\$2,276,872	\$61,935	\$37,465	\$4,412,233

# Sauk Valley Community College District 506

## Balance Sheet - All Fund Types (Continued)

June 30, 2019

	Fund Totals	GASB			Adjusted Totals
		General Fixed Assets Account	General Long Term Debt Account	Other Adjustments	
<b>ASSETS</b>					
Cash and cash equivalents	\$1,915,424	\$0	\$0	\$0	\$1,915,424
Deposits	2,999,990	0	0	0	2,999,990
Investments	11,449,723	0	0	0	11,449,723
Receivables:					
Property taxes	5,325,304	0	0	0	5,325,304
Government claims and grants	349,857	0	0	0	349,857
Other	230,574	0	0	0	230,574
Advances to other funds	2,520,717	0	0	(2,520,717)	0
Inventory	1,960	0	0	0	1,960
Prepaid items	303,098	0	0	(140,088)	163,010
Assets held by College Foundation	1,940,057	0	0	0	1,940,057
Property and equipment, net	0	28,725,781	0	0	28,725,781
Total assets	27,036,704	28,725,781	0	(2,660,805)	53,101,680
Deferred outflows of resources:					
Deferred OPEB	0	0	538,156	0	538,156
Deferred pension	0	0	0	45,900	45,900
Total assets	0	0	538,156	45,900	584,056
<b>Total assets and deferred outflows</b>	<b>\$27,036,704</b>	<b>\$28,725,781</b>	<b>\$538,156</b>	<b>(\$2,614,905)</b>	<b>\$53,685,736</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>					
Liabilities:					
Accounts payable	\$662,074	\$0	\$0	\$0	\$662,074
Accrued liabilities	847,573	0	0	(291,830)	555,743
Advances from other funds	2,520,717	0	0	(2,520,717)	0
Unearned tuition and fees	446,083	0	0	(170,409)	275,674
Accrued compensated absences	0	0	0	291,830	291,830
OPEB liability	0	0	7,956,259	0	7,956,259
Bonds payable, net of unamortized premiums (discounts)	0	0	6,404,218	0	6,404,218
Total liabilities	4,476,447	0	14,360,477	(2,691,126)	16,145,798
Deferred inflows of resources:					
Deferred property taxes	3,798,119	0	0	0	3,798,119
Deferred grant revenue	0	0	0	0	0
Deferred OPEB	0	0	1,200,077	0	1,200,077
Total deferred inflows	3,798,119	0	1,200,077	0	4,998,196
Fund balance / Net position (deficit):					
Net investment in capital assets	0	28,725,781	(6,190,000)	0	22,535,781
Restricted	5,980,942	0	0	0	5,980,942
Unrestricted	12,781,196	0	(8,832,398)	76,221	4,025,019
Total fund balance/net position (deficit)	18,762,138	28,725,781	(15,022,398)	76,221	32,541,742
<b>Total liabilities, deferred inflows of resources, and fund balances/net position</b>	<b>\$27,036,704</b>	<b>\$28,725,781</b>	<b>\$538,156</b>	<b>(\$2,614,905)</b>	<b>\$53,685,736</b>

**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, 2019

	Education	Operations and Maintenance	Operations and Maintenance Restricted
Revenues:			
Local government	\$4,977,437	\$569,579	\$852,157
State government	1,415,179	158,871	0
State of Illinois on-behalf payments	0	0	0
Federal government	4,855	0	0
Student tuition and fees	4,417,541	472,770	0
Sales and service fees	182,602	0	0
Interest	91,394	619	97,792
Net increase (decrease) in fair value of investments	0	0	17,882
Other	95,780	35,613	22,198
<b>Total revenues</b>	<b>11,184,788</b>	<b>1,237,452</b>	<b>990,029</b>
Expenditures/expenses:			
Current:			
Instruction	4,520,604	0	837,740
Academic support	957,436	0	57,396
Student services	1,202,881	0	3,362
Public services	517,671	0	0
Auxiliary services	0	0	34,446
Operation and maintenance of plant	0	1,291,309	2,621,550
Institutional support	2,445,442	0	425,099
Scholarships, student grants,	767,883	0	1,619
Depreciation expense	0	0	0
Debt service:			
Principal retirement	0	0	0
Interest	0	0	0
Debt issuance costs	0	0	0
<b>Total expenditures/expenses</b>	<b>10,411,917</b>	<b>1,291,309</b>	<b>3,981,212</b>
Excess (deficiency) of revenues over expenditures/expenses	772,871	(53,857)	(2,991,183)
Other financing sources (uses):			
Proceeds from issuance of long-term debt	0	0	0
Net premium (discount) on bonds sold	0	0	0
Payment to refunded bonds escrow agent	0	0	0
Transfers in	0	65,504	0
Transfers out	(95,077)	(3,655)	271,602
<b>Total other financing sources (uses)</b>	<b>(95,077)</b>	<b>61,849</b>	<b>271,602</b>
Net change in fund balance / net position	677,794	7,992	(2,719,581)
Fund balance/net position at beginning of year (deficit)	7,907,365	25,632	5,728,816
<b>Fund balance/net position at end of year (deficit)</b>	<b>\$8,585,159</b>	<b>\$33,624</b>	<b>\$3,009,235</b>

**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, 2019

	Bond and Interest	Auxiliary Enterprises Fund	Restricted Purpose
Revenues:			
Local government	\$1,045,715	\$0	\$0
State government	0	0	452,063
State of Illinois on-behalf payments	0	0	5,436,205
Federal government	0	0	4,440,627
Student tuition and fees	0	269,671	0
Sales and service fees	0	30,583	0
Interest	1,433	1,042	0
Net increase (decrease) in fair value of investments	0	0	0
Other	0	2,012,099	128,182
<b>Total revenues</b>	<b>1,047,148</b>	<b>2,313,395</b>	<b>10,457,077</b>
Expenditures/expenses:			
Current:			
Instruction	0	0	2,683,787
Academic support	0	0	425,510
Student services	0	0	1,192,581
Public services	0	0	761,872
Auxiliary services	0	2,385,591	89,614
Operation and maintenance of plant	0	0	439,275
Institutional support	750	0	937,341
Scholarships, student grants, Depreciation expense	0	0	3,949,658
Debt service:			
Principal retirement	985,000	0	0
Interest	183,771	0	0
Debt issuance costs	80,666	0	0
<b>Total expenditures/expenses</b>	<b>1,250,187</b>	<b>2,385,591</b>	<b>10,479,638</b>
Excess (deficiency) of revenues over expenditures/expenses	(203,039)	(72,196)	(22,561)
Other financing sources (uses):			
Proceeds from issuance of long-term debt	5,175,000	0	0
Net premium (discount) on bonds sold	237,136	0	0
Payment to refunded bonds escrow agent	(5,059,869)	0	0
Transfers in	0	70,195	47,880
Transfers out	(271,602)	(70,195)	(47,880)
<b>Total other financing sources (uses)</b>	<b>80,665</b>	<b>0</b>	<b>0</b>
Net change in fund balance / net position	(122,374)	(72,196)	(22,561)
Fund balance/net position at beginning of year (deficit)	813,043	445,064	80
<b>Fund balance/net position at end of year (deficit)</b>	<b>\$690,669</b>	<b>\$372,868</b>	<b>(\$22,481)</b>

# 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, 2019

	Working Cash Fund	Trust and Agency Fund	Audit	Liability, Protection, and Settlement Fund
<b>Revenues:</b>				
Local government	\$0	\$0	\$56,495	\$400,279
State government	0	0	0	0
State of Illinois 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	30,404	0	35	28,123
Net increase (decrease) in fair value of investments	0	0	0	109,185
Other	0	0	0	0
<b>Total revenues</b>	<b>30,404</b>	<b>0</b>	<b>56,530</b>	<b>537,587</b>
<b>Expenditures/expenses:</b>				
<b>Current:</b>				
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	10,277
Operation and maintenance of plant	0	0	0	260,023
Institutional support	0	0	55,685	356,138
Scholarships, student grants, Depreciation expense	0	0	0	0
<b>Debt service:</b>				
Principal retirement	0	0	0	0
Interest	0	0	0	0
Debt issuance costs	0	0	0	0
<b>Total expenditures/expenses</b>	<b>0</b>	<b>0</b>	<b>55,685</b>	<b>626,438</b>
<b>Excess (deficiency) of revenues over expenditures/expenses</b>	<b>30,404</b>	<b>0</b>	<b>845</b>	<b>(88,851)</b>
<b>Other financing sources (uses):</b>				
Proceeds from issuance of long-term debt	0	0	0	0
Net premium (discount) on bonds sold	0	0	0	0
Payment to refunded bonds escrow agent	0	0	0	0
Transfers in	33,228	0	0	0
Transfers out	0	0	0	0
<b>Total other financing sources (uses)</b>	<b>33,228</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in fund balance / net position</b>	<b>63,632</b>	<b>0</b>	<b>845</b>	<b>(88,851)</b>
<b>Fund balance/net position at beginning of of year (deficit)</b>	<b>2,213,240</b>	<b>0</b>	<b>3,321</b>	<b>3,900,877</b>
<b>Fund balance/net position at end of year (deficit)</b>	<b>\$2,276,872</b>	<b>\$0</b>	<b>\$4,166</b>	<b>\$3,812,026</b>

**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, 2019

	Fund Totals	GASB			Adjusted Totals
		General Fixed Assets Account	General Long-Term Debt Account	Other Adjustments	
<b>Revenues:</b>					
Local government	\$7,901,662	\$0	\$0	\$0	\$7,901,662
State government	2,026,113	0	0	0	2,026,113
State of Illinois on-behalf payments	5,436,205	0	0	0	5,436,205
Federal government	4,445,482	0	0	0	4,445,482
Student tuition and fees	5,159,982	0	0	(2,304,036)	2,855,946
Sales and service fees	213,185	0	0	0	213,185
Interest	250,842	0	0	0	250,842
Net increase (decrease) in fair value of investments	127,067	0	0	0	127,067
Other	2,293,872	0	0	(1,983,369)	310,503
<b>Total revenues</b>	<b>27,854,410</b>	<b>0</b>	<b>0</b>	<b>(4,287,405)</b>	<b>23,567,005</b>
<b>Expenditures/expenses:</b>					
<b>Current:</b>					
Instruction	8,042,131	(671,259)	0	56,884	7,427,756
Academic support	1,440,342	(4,624)	0	0	1,435,718
Student services	2,398,824	(2,268)	0	0	2,396,556
Public services	1,279,543	0	0	0	1,279,543
Auxiliary services	2,519,928	(34,446)	0	(1,983,369)	502,113
Operation and maintenance of plant	4,612,157	(2,589,610)	0	0	2,022,547
Institutional support	4,220,455	(347,666)	551,261	2,330	4,426,380
Scholarships, student grants, Depreciation expense	4,719,160 0	0 1,237,757	0 0	(2,296,275) 0	2,422,885 1,237,757
<b>Debt service:</b>					
Principal retirement	985,000	0	(985,000)	0	0
Interest	183,771	0	(60,789)	0	122,982
Debt issuance costs	80,666	0	0	0	80,666
<b>Total expenditures/expenses</b>	<b>30,481,977</b>	<b>(2,412,116)</b>	<b>(494,528)</b>	<b>(4,220,430)</b>	<b>23,354,903</b>
<b>Excess (deficiency) of revenues over expenditures/expenses</b>	<b>(2,627,567)</b>	<b>2,412,116</b>	<b>494,528</b>	<b>(66,975)</b>	<b>212,102</b>
<b>Other financing sources (uses):</b>					
Proceeds from issuance of long-term debt	5,175,000	0	(5,175,000)	0	0
Net premium (discount) on bonds sold	237,136	0	(237,136)	0	0
Payment to refunded bonds escrow agent	(5,059,869)	0	5,059,869	0	0
Transfers in	216,807	0	0	0	216,807
Transfers out	(216,807)	0	0	0	(216,807)
<b>Total other financing sources (uses)</b>	<b>352,267</b>	<b>0</b>	<b>(352,267)</b>	<b>0</b>	<b>0</b>
<b>Net change in fund balance / net position</b>	<b>(2,275,300)</b>	<b>2,412,116</b>	<b>142,261</b>	<b>(66,975)</b>	<b>212,102</b>
<b>Fund balance/net position at beginning of of year (deficit)</b>	<b>21,037,438</b>	<b>26,313,665</b>	<b>(15,164,659)</b>	<b>143,196</b>	<b>32,329,640</b>
<b>Fund balance/net position at end of year (deficit)</b>	<b>\$18,762,138</b>	<b>\$28,725,781</b>	<b>(\$15,022,398)</b>	<b>\$76,221</b>	<b>\$32,541,742</b>

# Sauk Valley Community College District 506

## Assessed Valuations, Tax Rates, Tax Extensions and Tax Collections

Levy Years 2018, 2017, and 2016

	2018	2017	2016
<b>Assessed Valuations:</b>			
Bureau County	\$106,349,031	\$101,309,486	\$96,324,843
Carroll County	91,491,170	88,936,981	86,445,078
Henry County	4,056,985	3,825,234	3,627,728
Lee County	632,311,551	616,609,591	606,662,827
Ogle County	125,819,935	120,487,277	115,171,351
Whiteside County	812,249,361	781,429,811	753,846,715
<b>Total assessed valuations</b>	<b>\$1,772,278,033</b>	<b>\$1,712,598,380</b>	<b>\$1,662,078,542</b>
<b>Tax Rate (per \$100 assessed valuation):</b>			
Bond and Interest Fund	0.0592	0.0611	0.0637
Audit Fund	0.0030	0.0035	0.0036
Liability, Protection, and Settlement	0.0189	0.0113	0.0012
Social Security	0.0073	0.0083	0.0084
Prior Year Adjustment	0.0011	(0.0019)	0.0300
Operations and Maintenance Accounts	0.0300	0.0297	0.0300
Operations and Maintenance Accounts - Restricted	0.0485	0.0495	0.0500
Educational Accounts	0.2450	0.2444	0.2450
Additional Tax	0.0162	0.0212	0.0247
<b>Total tax rate</b>	<b>0.4292</b>	<b>0.4271</b>	<b>0.4566</b>
<b>Tax Extensions:</b>			
Bond and Interest Fund	\$1,050,649	\$1,050,183	\$1,048,129
Audit Fund	53,242	60,158	59,235
Liability, Protection, and Settlement	335,427	194,224	19,745
Social Security	129,556	142,660	138,215
Prior Year Adjustment	8,935	(14,847)	0
Operations and Maintenance Accounts	532,423	510,482	493,624
Operations and Maintenance Accounts - Restricted	860,751	850,803	822,707
Educational Accounts	4,348,125	4,200,734	4,031,265
State Additional Tax	287,509	364,384	406,417
<b>Total tax extensions</b>	<b>\$7,606,617</b>	<b>\$7,358,781</b>	<b>\$7,019,337</b>
<b>Tax Collections to June 30:</b>			
Bond and Interest Fund	\$313,845	\$1,043,882	\$1,048,694
Audit Fund	15,950	59,762	59,655
Liability, Protection, and Settlement	100,300	193,767	19,901
Social Security	38,751	141,662	138,242
Operations and Maintenance Accounts	158,909	507,810	496,194
Operations and Maintenance Accounts - Restricted	257,280	845,948	826,992
Educational Accounts	1,299,961	4,156,191	4,042,951
State Additional Tax	85,938	360,557	408,500
<b>Total tax collections</b>	<b>\$2,270,934</b>	<b>\$7,309,579</b>	<b>\$7,041,129</b>
<b>Percent of extensions collected</b>	<b>29.85%</b>	<b>99.33%</b>	<b>100.31%</b>

## **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, 2019, 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 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.

### ***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, 2019, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in the United States.

### **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 Sauk Valley Community College District 506 as of June 30, 2019, 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 30, 2019

# Sauk Valley Community College District 506

## Balance Sheet

### State Adult Education and Family Literacy Restricted Funds

June 30, 2019

<b>ASSETS</b>	<b>State Basic</b>	<b>State Performance</b>	<b>Total</b>
Cash	\$0	\$0	\$0
Investments	19,918	7,303	27,221
Receivables	9,522	3,652	13,174
<b>Total assets</b>	<b>\$29,440</b>	<b>\$10,955</b>	<b>\$40,395</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Accounts Payable	\$8,970	\$988	\$9,958
Accrued liabilities	3,062	1,392	4,454
Advances from other funds	17,408	8,575	25,983
<b>Total liabilities</b>	<b>29,440</b>	<b>10,955</b>	<b>40,395</b>
Fund balance	0	0	0
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$29,440</b>	<b>\$10,955</b>	<b>\$40,395</b>

See Notes to ICCB Grant Programs Financial Statements.

**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, 2019

	State Basic	State Performance	Total
Revenues -			
Grant revenue	\$95,097	\$35,527	\$130,624
Expenditures:			
Instruction	59,716	0	59,716
Contractual services	4,000	0	4,000
Social work services	0	0	0
Guidance services	19,163	0	19,163
Assessment and testing	0	0	0
Student transportation services	0	0	0
Literacy services	0	0	0
Subtotal instructional and student services	82,879	0	82,879
Improvement of instructional services	0	0	0
General administration	12,218	22,122	34,340
Data and information services	0	13,405	13,405
Subtotal program support	12,218	35,527	47,745
Total expenditures	95,097	35,527	130,624
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, 2019

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<b>State Basic</b>	<b>Audited Expenditure Amount</b>	<b>Actual Expenditure Percentage</b>
Instruction (45% minimum required)	\$59,716	62.79%
General Administration (15% maximum allowed)	\$12,218	12.85%

# Sauk Valley Community College District 506

## Notes to ICCB Grant Programs Financial Statements

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### **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, 2019. 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

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### **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, 2018 through June 30, 2019. 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 30, 2019

**Sauk Valley Community College District 506**  
**Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed**  
 For the year ended June 30, 2019

Credit Hour Categories	Total Reimbursable Semester Credit Hours by Term							
	Summer Term		Fall Term		Spring Term		Total All Terms	
	Unrestricted Hours	Restricted Hours	Unrestricted Hours	Restricted Hours	Unrestricted Hours	Restricted Hours	Unrestricted Hours	Restricted Hours
Baccalaureate	1,581.0	0.0	9,191.0	0.0	9,423.0	0.0	20,195.0	0.0
Business Occupational	134.0	0.0	829.0	18.0	561.0	12.0	1,524.0	30.0
Technical Occupational	172.0	0.0	2,032.0	0.0	1,984.5	0.0	4,188.5	0.0
Health Occupational	469.0	0.0	2,433.5	0.0	1,870.0	8.0	4,772.5	8.0
Remedial/Developmental	190.0	0.0	763.0	0.0	692.0	0.0	1,645.0	0.0
Adult Education	0.0	49.0	0.0	339.0	0.0	348.5	0.0	736.5
	2,546.0	49.0	15,248.5	357.0	14,530.5	368.5	32,325.0	774.5

	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:	30,648.5	772.5	5,126.5	0.0	119.0	3.0

Credit Hours on Chargeback or Contractual Agreement: 0.0  
 District Equalized Assessed Valuation: \$1,772,278,033

Credit Hour Categories	Correctional Semester Credit Hours by Term			
	Summer Correctional Hours	Fall Correctional Hours	Spring Correctional Hours	Total 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 Services

# Sauk Valley Community College District 506

## Reconciliation of Total Semester Credit Hours

(Continued)

For the year ended June 30, 2019

### Total Reimbursable Semester Credit Hours

<u>Credit Hour Categories</u>	Total Reported in Audit Unrestricted	Total Certified to ICCB Unrestricted	Difference	Total Reported in Audit Restricted	Total Certified to ICCB Restricted	Difference
	Hours	Hours		Hours	Hours	
Baccalaureate	20,195.0	20,195.0	0.0	0.0	0.0	0.0
Business Occupational	1,524.0	1,524.0	0.0	30.0	30.0	0.0
Technical Occupational	4,188.5	4,188.5	0.0	0.0	0.0	0.0
Health Occupational	4,772.5	4,772.5	0.0	8.0	8.0	0.0
Remedial/Developmental	1,645.0	1,645.0	0.0	0.0	0.0	0.0
Adult Education	0.0	0.0	0.0	736.5	736.5	0.0
Total	32,325.0	32,325.0	0.0	774.5	774.5	0.0

	Total Reported in Audit Unrestricted	Total Certified to ICCB Unrestricted	Difference	Total Reported in Audit Restricted	Total Certified to ICCB Restricted	Difference
	Hours	Hours		Hours	Hours	
In-District Credit Hours:	30,648.5	30,648.5	0.0	772.5	772.5	0.0
Dual Credit Hours:	5,126.5	5,126.5	0.0	0.0	0.0	0.0
Dual Enrollment Hours:	119.0	119.0	0.0	3.0	3.0	0.0

### Total Correctional Semester Credit Hours

<u>Credit Hour Categories</u>	Total Reported in Audit Unrestricted	Total Certified to ICCB Unrestricted	Difference	Total Reported in Audit Restricted	Total Certified to ICCB Restricted	Difference
	Hours	Hours		Hours	Hours	
Baccalaureate	0.0	0.0	0.0	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**

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### **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, 2019, 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 30, 2019. 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 30, 2019



**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 *OMB Compliance Supplement* that could have a direct and material effect on each of the College’s major federal programs for the year ended June 30, 2019. 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, 2019.

### **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 in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Wipfli LLP*

Sterling, Illinois  
October 30, 2019

# Sauk Valley Community College District 506

## Schedule of Expenditures of Federal Awards

For the year ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	Passed Through to Subrecipients
<b>Small Business Administration:</b>				
Passed through the Illinois Department of Commerce and Economic Opportunity:				
Small Business Development Centers	59.037	18-56119	\$50,808	\$0
Small Business Development Centers	59.037	19-181191	51,885	0
Total 59.037			\$102,693	\$0
<b>U.S. Department of Veteran's Affairs:</b>				
Direct award:				
Post 9/11 Veteran's Education Assistance	64.028		\$26,539	\$0
<b>U.S. Department of Education:</b>				
Pass-through Illinois Community College Board:				
Adult Education:				
Federal Adult Basic	84.002A	50601	\$64,462	\$0
Direct awards:				
Student Financial Assistance:				
Federal Supplemental Educational Opportunity Grants (m)	84.007	P007AXX1275	116,733	0
Federal Work Study Program (m)	84.033	P033AXX1275	125,293	0
Federal Pell Grant Program (m)	84.063	P063XXX1379	2,437,835	0
Federal Direct Loan Program (m)	84.268	P268KXX1379	948,333	0
Total student financial assistance cluster			3,628,194	0
Direct award:				
TRIO - Student Support Services	84.042A	P042A100620-18	278,577	0
Passed through the Illinois Community College Board:				
Career and Technical Education - Basic Grants to States				
Perkins Pathway to Results	84.048	PTR50619	14,408	0
Perkins Postsecondary Grants	84.048	CTE50619	167,557	0
Total 84.048			181,965	0
Total U.S. Department of Education			\$4,153,198	\$0
<b>Corporation for National and Community Service:</b>				
Passed through the Illinois Department of Public Health:				
AmeriCorps - Formula Program	94.006	87380016F	\$12,834	\$0
AmeriCorps - Formula Program	94.006	97380016G	143,500	0
Total 94.006			\$156,334	\$0
<b>Total federal awards expended</b>			<b>\$4,438,764</b>	<b>\$0</b>

(m) Denotes major program

# Sauk Valley Community College District 506

## Notes to the Schedule of Expenditures of Federal Awards

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### **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, 2019, 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, 2019.

### **Note 2**     **Federal Loan Program**

For the year ended June 30, 2019, the College acted as a pass-through agency for Federal Direct Loans (subsidized and unsubsidized) to students in the amount of \$948,333.

### **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, 2019.

# Sauk Valley Community College District 506

## Schedule of Findings and Questioned Costs

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### 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>
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster

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

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### 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

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### Prior Year Findings:

#### June 30, 2018

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, 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