

SAUK VALLEY COMMUNITY COLLEGE DISTRICT 506

DIXON, ILLINOIS

ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2016

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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, 2016, 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 an opinion on these financial statements based on our audits. We conducted our audits 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, 2016, 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 Contributions, and Covered Payroll, 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 of America. 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 have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Wipfli LLP

Sterling, Illinois
October 7, 2016

Sauk Valley Community College District 506

Management Discussion and Analysis

Using This Annual Report

As the management of Sauk Valley Community College District 506 (the “College”), we offer the readers of the College’s financial statements this narrative overview and analysis of the financial activities of the College for the year ended June 30, 2016.

The MD&A provides an overview of the College’s financial position at June 30, 2016 and the results of operations for the year. This summary should not be taken as a replacement for the audit report, which consists of the financial statements, notes to the financial statements, required, supplemental and other supplemental financial information.

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

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

Financial Highlights

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

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

Financial highlights for the College included the following for the year ended June 30, 2016:

- The College paid down \$975 thousand of long-term debt during the year.
- The College had approximately \$87 thousand of State funding in arrears at June 30, 2016.
- Net position decreased during FY 2016 by approximately \$1,279,000.
- During FY2016, the College’s enrollment in credit hours decreased about 10.2%.

Components of Financial Statements

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

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

Sauk Valley Community College District 506

Management Discussion and Analysis

Components of Financial Statements (continued)

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

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

The College's financial position is summarized as follows for the years ended June 30, 2016 and 2015:

Financial Analysis of the College as a Whole

Net Position				
As of June 30, (in thousands)				
	2016	2015	Increase (Decrease)	Percent Change
Current assets	\$20,012	\$23,689	(\$3,677)	(15.5)%
Noncurrent assets:				
Capital assets, net	23,668	22,077	1,591	7.2%
Other	4,104	5,144	(1,040)	(20.2)%
Total assets	47,784	50,910	(3,126)	(6.1)%
Deferred outflow of resources	31	27	4	14.8%
Total assets and deferred outflows	47,815	50,937	(3,122)	(6.1)%
Current liabilities	1,912	2,768	(856)	(30.9)%
Noncurrent liabilities	3,161	4,156	(995)	(23.9)%
Total liabilities	5,073	6,924	(1,851)	(26.7)%
Deferred inflows of resources	3,437	3,429	8	0.2%
Total liabilities and deferred inflows	8,510	10,353	(1,843)	(17.8)%
Net position:				
Net investment in capital assets	19,619	17,009	2,610	15.3%
Restricted	7,220	9,184	(1,964)	(21.4)%
Unrestricted	12,466	14,391	(1,925)	(13.4)%
Total net position	\$39,305	\$40,584	(\$1,279)	(3.2)%

The College's total net position at June 30, 2016 decreased approximately \$1,279 thousand, a decrease of approximately 3.2%.

In fiscal year 2016, the College's total assets and deferred outflows decreased by \$3,122 thousand. Current assets decreased \$3,677 thousand. This decrease is due primarily to a decrease in short-term investments of \$3,411 thousand, cash and cash equivalents increased by \$121 thousand, deposits decreased by \$250 thousand, property tax receivables increased by \$119 thousand, other receivables decreased by \$261 thousand and prepaid expenses increased by \$10 thousand. Noncurrent assets increased \$551 thousand primarily due to capital assets increasing by \$1,591 thousand and restricted investments decreasing by \$1,040 thousand.

Sauk Valley Community College District 506

Management Discussion and Analysis

Financial Analysis of the College as a Whole (continued)

Total liabilities and deferred inflows decreased \$1,843 thousand. Current liabilities decreased \$856 thousand primarily due to unearned tuition and fees decreasing by \$226 thousand and accounts payable decreasing by \$526 thousand. Noncurrent liabilities decreased \$995 thousand primarily due to bond principal pay downs of \$975 thousand. Deferred inflows increased \$8 thousand primarily due to deferred grant revenue increasing \$31 thousand, deferred property taxes increasing by \$22 thousand and unamortized gain on refunding decreasing by \$45 thousand.

In fiscal year 2016, the College's total net position decreased \$1,279 thousand. Restricted net position decreased \$1,964 thousand primarily due to restricted fund capital expenditures. Net investment in capital assets increased by \$2,610 thousand primarily due to capital assets increasing by \$1,591 thousand and bonds payable decreasing by \$1,020 thousand.

Revenues and expenses for the years ended June 30, 2016 and 2015 are as follows:

Operating Results for the Year Ended June 30, (in thousands)				
	2016	2015	Increase (Decrease)	Percent Change
Revenues:				
Tuition and fees	\$2,596	\$2,620	(\$24)	(0.9)%
Auxiliary	157	199	(42)	(21.1)%
State sources	621	2,732	(2,111)	(77.3)%
Federal sources	4,886	5,156	(270)	(5.2)%
Property taxes	6,772	6,724	48	0.7%
Personal property replacement tax	455	497	(42)	(8.5)%
Interest income	250	196	54	27.6%
Other	4,146	3,519	626	17.8%
Total revenues	19,883	21,643	(1,761)	(8.2)%
Expenses:				
Instruction	4,814	5,004	(190)	(3.8)%
Academic support	1,353	1,346	7	0.5%
Student services	1,613	1,549	64	4.1%
Public services	581	520	61	11.7%
Independent operations	660	460	200	(0.4)%
Operations and maintenance	1,808	1,815	(7)	(8.0)%
Institutional support	6,474	5,819	655	11.3%
Scholarships, grants and waivers	3,038	3,289	(251)	(7.6)%
Depreciation	775	762	13	1.7%
Interest	46	212	(166)	(78.3)%
Total expenses	21,162	20,776	386	1.9%
Change in net position	(1,279)	867	(2,146)	(247.5)%
Net position, beginning of year	40,584	39,717	868	2.2%
Net position, end of year	\$39,305	\$40,584	(\$1,279)	(3.2)%

Sauk Valley Community College District 506

Management Discussion and Analysis

Financial Analysis of the College as a Whole (continued)

At June 30, 2016, net position decreased \$1,279 thousand. Compared to fiscal year 2015, revenues decreased \$1,760 thousand and expenses increased \$386 thousand.

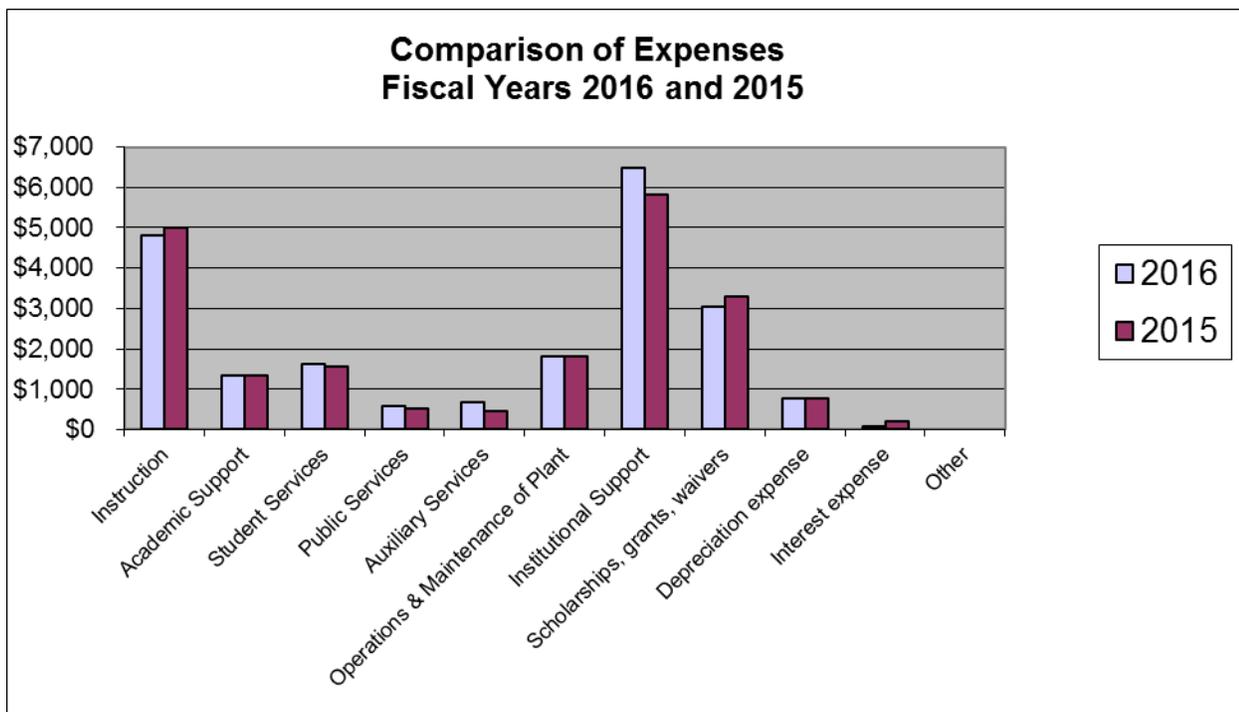
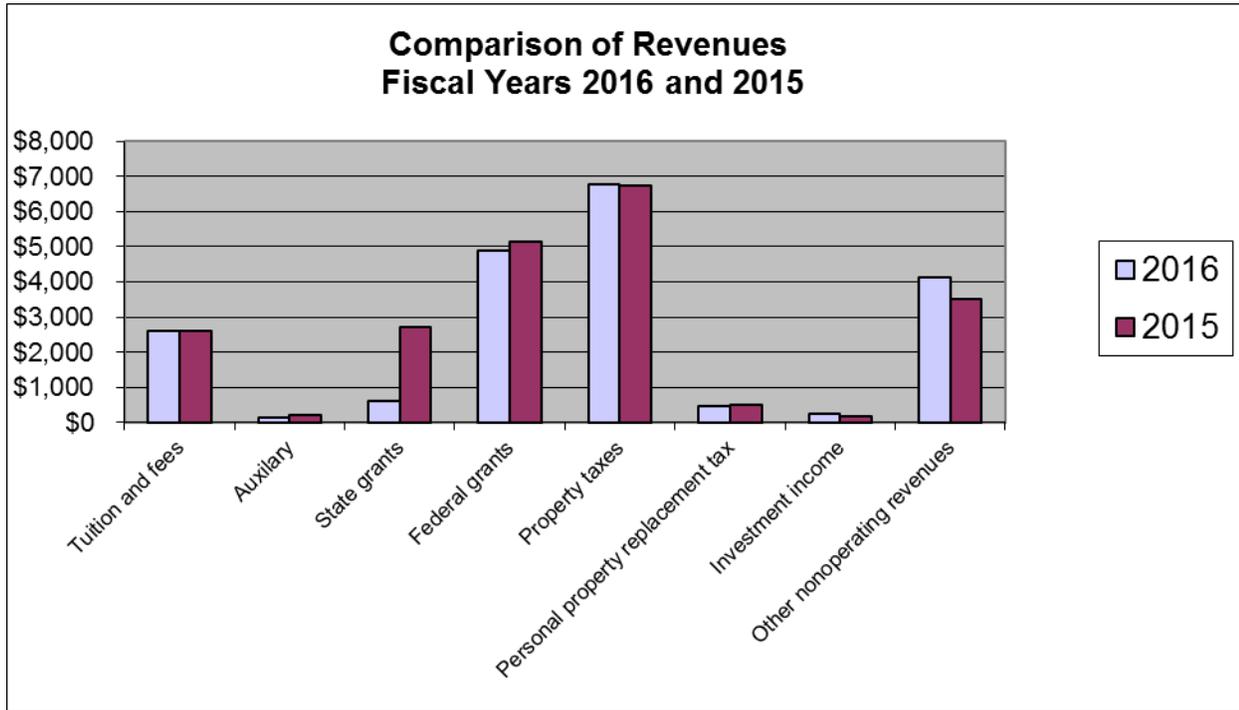
Operating revenue decreased by \$66 thousand from fiscal year 2015 primarily due to a \$42 thousand decrease in auxiliary enterprises revenue. Non-operating state revenue decreased by \$2,111 thousand primarily due to decreases in the Credit Hour and Equalization grants of \$920 thousand and \$608 thousand, respectively. Non-operating federal revenue decreased from fiscal 2015 by \$270 thousand. This decrease is primarily due to Pell Grants being down \$378 thousand and other federal grants increasing slightly. Local property tax increased due to a slight increase in the districts EAV in 2015. Other income increased due to an increase in the states SURS on behalf payment.

Expenses increased \$386 thousand. This is due primarily to SURS on Behalf increased by \$686 thousand and scholarships and grants decreased by \$251 thousand.

Sauk Valley Community College District 506

Management Discussion and Analysis

The following graphs depict revenues and expense for the years ended June 30, 2016 and 2015:



Sauk Valley Community College District 506

Management Discussion and Analysis

Capital Assets

At June 30, 2016, the College had approximately \$38,092 thousand invested in land, buildings, land improvements, and equipment. In addition, approximately \$14,424 thousand in depreciation has accumulated over the years, with approximately \$775 thousand being incurred in the current year. The College's net book value of capital assets at June 30, 2016 is approximately \$23,668 thousand.

Total additions for the year were approximately \$2,365 thousand. Most of the additions during the year were financed through either funding bonds or grants.

The College has committed approximately \$1.1 million for use as local match on a State-funded project to renovate the west end of the third floor science labs. The money is being held in a reserved account in the Operations and Maintenance (Restricted) Fund.

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

Long-Term Debt Activity

At June 30, 2016, the College had approximately \$3,885 thousand in general long-term debt for Series 2014 bonds, which were issued during December 2014 to defease the Series 2014 Debt Certificates. Additionally, the College paid down the Series 2010 Bonds during fiscal year 2016, as scheduled.

The College's most recent Standard & Poor's bond rating (2014) was "AA-". State statutes limit the amount of debt that a school district may issue. The current debt limit for the College is approximately \$42.3 million under that statutory limit.

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

Factors Impacting the College's Future

For fiscal year 2017, the College is hopeful that paid enrollment will be flat. Property tax revenue will increase approximately 1% due to the strong agriculture industry in the College district. The College is planning on the State of Illinois funding to increase approximately 52% from the previous year. This is only an estimate due to the State not passing their budget for FY17 as of June 30, 2016. The College has received \$525K in stop gap funding for FY17 to hold the college over until a state budget is passed.

In fiscal year 2017, the College's master plan calls for renovation of the remaining science labs and certain community services areas over the next five years. Expected costs are approximately \$9,000,000 and financing for these projects is from funding bonds, Protection, Health and Safety tax levies, prior fund surpluses and state capital project funds.

Sauk Valley Community College District 506

Management Discussion and Analysis

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

Sauk Valley Community College District 506

Statement of Net Position

June 30, 2016

	Primary Institution Business-Type Activities	Component Unit Foundation
ASSETS		
Current assets:		
Cash and cash equivalents	\$2,192,617	\$353,116
Deposits	2,250,000	594,591
Short-term investments	8,091,114	4,102,816
Property taxes receivable	4,818,161	0
Other receivables	2,431,490	3,079
Prepaid expenses	229,297	0
Total current assets	20,012,679	5,053,602
Noncurrent assets:		
Long-term investments	4,104,079	0
Capital assets	38,091,610	0
Less accumulated depreciation	(14,424,015)	0
Total noncurrent assets	27,771,674	0
Total assets	47,784,353	5,053,602
DEFERRED OUTFLOW OF RESOURCES		
Deferred pension	30,773	0
Total assets and deferred outflows of resources	47,815,126	5,053,602
LIABILITIES		
Current liabilities:		
Accounts payable	306,846	0
Accrued liabilities	282,069	0
Unearned tuition and fees	172,880	0
Accrued compensated absences	175,225	0
College payable - gifts held for investment	0	1,940,057
Bonds payable, net of unamortized premiums (discounts)	975,180	0
Total current liabilities	1,912,200	1,940,057
Noncurrent liabilities:		
Accrued compensated absences	87,612	0
Bonds payable, net of unamortized premiums (discounts)	3,072,920	0
Total noncurrent liabilities	3,160,532	0
Total liabilities	5,072,732	1,940,057
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	3,395,955	0
Deferred grant revenue	40,958	0
Total deferred inflows of resources	3,436,913	0
Total liabilities and deferred inflows of resources	8,509,645	0
NET POSITION / NET ASSETS		
Net investment in capital assets	19,619,495	0
Restricted for:		
Nonexpendable, scholarships	0	1,954,842
Expendable:		
Scholarships and grants	40,258	1,066,988
Capital projects	4,058,110	0
Debt service	781,589	0
Working cash	2,339,959	0
Unrestricted	12,466,070	91,715
Total net position / net assets	\$39,305,481	\$3,113,545

See Notes to Financial Statements.

Sauk Valley Community College District 506
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2016

	Primary Institution Business-Type Activities	Component Unit Foundation
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$2,302,118	\$2,596,022	\$0
Auxiliary enterprises revenue	157,125	0
Contributions	0	376,259
Other	0	13,145
Total operating revenue	2,753,147	389,404
Operating expenses:		
Instruction	4,814,102	0
Academic support	1,353,452	0
Student services	1,612,896	0
Public services	581,035	0
Auxiliary services	659,722	0
Operation and maintenance of plant	1,808,176	0
Institutional support	6,473,569	160,644
Scholarships, student grants, and waivers	3,038,036	221,330
Depreciation expense	774,605	0
Total operating expenses	21,115,593	381,974
Operating income (loss)	(18,362,446)	7,430
Nonoperating revenues (expenses):		
State grants	620,677	0
Federal grants	4,885,591	0
Property taxes	6,772,357	0
Personal property replacement tax	454,992	0
Investment income	249,881	15,746
Other nonoperating revenues	4,146,195	0
Interest expense	(45,799)	0
Net nonoperating revenues (expenses)	17,083,894	15,746
Change in net position / net assets	(1,278,552)	23,176
Net position / net assets:		
Beginning of year	40,584,033	3,090,369
End of year	\$39,305,481	\$3,113,545

See Notes to Financial Statements.

Sauk Valley Community College District 506

Statement of Cash Flows

For the year ended June 30, 2016

	<u>Primary Institution</u> <u>Business-Type</u> <u>Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	\$4,687,764
Payments to suppliers	(5,987,269)
Payments to employees	(8,020,324)
Payments to students for scholarships	(5,340,154)
Auxiliary enterprise charges	157,125
Net cash used in operating activities	(14,502,858)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Proceeds from property taxes	6,676,085
Proceeds from grants	6,458,557
Net cash provided by noncapital financing activities	13,134,642
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of capital assets	(2,365,155)
Principal paid on bonds payable	(975,000)
Interest paid on bonds payable and other long-term obligations	(90,979)
Net cash provided by (used in) capital and related financing activities	(3,431,134)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	106,471
Proceeds from maturities of investment securities	6,503,828
Purchases of investment securities	(1,689,915)
Net cash provided by (used in) investing activities	4,920,384
Net increase (decrease) in cash and cash equivalents	121,034
CASH AND CASH EQUIVALENTS:	
Beginning of year	2,071,583
End of year	\$2,192,617

See Notes to Financial Statements.

Sauk Valley Community College District 506

Statement of Cash Flows (Continued)

For the year ended June 30, 2016

	<u>Primary Institution</u> <u>Business-Type</u> <u>Activities</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED	
IN OPERATING ACTIVITIES:	
Operating loss	(\$18,362,446)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	774,605
State on-behalf payments for fringe benefits	3,910,774
Changes in assets and liabilities:	
Inventory	1,300
Prepaid expenses	(7,610)
Receivables	15,694
Deferred outflows of resources	(3,858)
Accounts payable	(528,012)
Accrued liabilities	(15,715)
Accrued compensated absences	(61,520)
Unearned tuition and fees	(226,070)
Net cash used in operating activities	(\$14,502,858)
NONCASH INVESTING, CAPITAL, AND FINANCIAL:	
Increase (decrease) in fair value of investments and amortization/accretion	\$113,368
STATE ON-BEHALF PAYMENTS	\$3,910,774

See Notes to Financial Statements.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

Nature of entity

Sauk Valley Community College District 506 (the "College") is organized in accordance with Chapter 110 of the Illinois Compiled Statutes. The Board of Trustees (the "Board") has the governing responsibilities over all activities related to public post and secondary school education within the jurisdiction of the College. The College receives funding from local, state and federal sources and must comply with the requirements established by these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management and the responsibility to significantly influence operations and primary accountability for fiscal matters.

The accounting policies of the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities as well as those prescribed by the Illinois Community College Board (ICCB). The College reports are based on all applicable Government Accounting Standards Board (GASB) pronouncements.

Financial report entity

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

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standard Board (FASB) Statements. Most significant accounting policies to the Foundation's operations and reporting model are described by FASB's issued guidance. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences; however, significant note disclosures (see Note 9) to the Foundation's financial statements have been incorporated into the College's notes to the financial statements.

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

Sauk Valley Community College District 506

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Measurement focus, basis of accounting, and financial statement presentation

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-fund transactions have been eliminated. Non-exchange transactions, in which the College receives value without directly giving equal value in return, include property taxes, state appropriations and federal, state and local grants. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from grant and state appropriations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal period when the uses are first permitted, matching requirements, in which the College must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

The following is a summary of the more significant policies:

Cash and cash equivalents

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

Investments

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

Receivables

All property tax, student tuition and governmental claims and grant receivables are expected to be received within one year. Governmental claims and grants are from state funding agencies. The College has a reserve of \$142,000 for uncollectible student tuition and fees. The College wrote off approximately \$81,000 of tuition and fees during the year ended June 30, 2016.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Property taxes

The College's property tax is levied each year on all taxable real property located in the College district. Property taxes are recorded on an accrual basis of accounting. Pursuant to the Board's resolution, the property tax levy passed in November 2014 and December 2015 were allocated fifty percent for each of the two years after the levy year.

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

Inventories

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

Capital assets

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

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

Unearned tuition and fee revenue

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

Long-term debt

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

Sauk Valley Community College District 506

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Compensated absences

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

Other post-employment and related benefits

The College does not provide post-employment health care benefits (OPEB) for retired employees.

Deferred inflows and outflows of resources

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

Classification of revenues and expenses

Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees and sales and service fees. Revenue from exchange transactions is recognized when earned. Student tuition and fees are recorded on the statement of revenues, expenses, and changes in net position, net of scholarship allowance and student aid. Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as local property taxes, state appropriations, most federal, state and local grants and interest. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition reported as nonoperating expenses.

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 2016 and 2015, the state made contributions of \$3,910,775 and \$3,224,466, respectively (Note 5).

Sauk Valley Community College District 506

Notes to Financial Statements

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

Unrestricted – This includes resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose.

Use of estimates

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

Sauk Valley Community College District 506

Notes to Financial Statements

Note 2 Cash and Investments

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

Cash and deposits as of June 30, 2016 consist of the following:

	Carrying Amount
Cash on hand	\$1,200
Deposits with financial institutions	4,441,417
Total	\$4,442,617

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 does not limit the maturities of investments as a means of managing exposure to fair value losses arising from increasing interest rates.

As of June 30, 2016, 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	\$1,671,664	\$1,671,664			
Local government investment pool	4,919,781	4,919,781			
Certificate of deposit	4,504,524	1,499,669	\$3,004,855		
U.S. Government agency securities	1,099,224				\$1,099,224
Total	\$12,195,193	\$8,091,114	\$3,004,855	\$0	\$1,099,224

As of June 30, 2016, 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	\$1,671,664	\$1,339,464			\$332,200
Local government investment pool	4,919,781	4,919,781			
Certificate of deposit	4,504,524				4,504,524
U.S. Government agency securities	1,099,224		\$1,099,224		
Total	\$12,195,193	\$6,259,245	\$1,099,224	\$0	\$4,836,724

Sauk Valley Community College District 506

Notes to Financial Statements

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, 2016:

	Total	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value on a recurring basis:				
Certificates of deposit	\$4,504,524		\$4,504,524	
U.S. Government agency securities	1,099,224		1,099,224	
Total investments	\$5,603,748	\$0	\$5,603,748	\$0

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.

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, 2016, the bank balances of the College's deposits were \$4,908,216. The College only had securities of \$3,899,183 along with FDIC coverage of \$999,999. As a result \$9,034 was uncollateralized as of June 30, 2016.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 2 Cash and Investments (continued)

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, 2016, 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.

Note 3 Capital Assets

A summary of the changes in capital assets for the College for the year ended June 30, 2016, is as follows:

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Nondepreciable assets:					
Land	\$162,651	\$0	\$0	\$0	\$162,651
Construction in progress	648,182	348,435	0	(648,182)	348,435
Equipment in progress	53,683	1,107	0	(53,683)	1,107
	864,516	349,542	0	(701,865)	512,193
Depreciable assets:					
Land improvements	2,109,057	137,446	0	190,978	2,437,481
Buildings	26,252,316	1,611,854	0	457,204	28,321,374
Equipment	6,513,011	266,313	(12,445)	53,683	6,820,562
	34,874,384	2,015,613	(12,445)	701,865	37,579,417
Less accumulated depreciation:					
Land improvements	940,873	44,369	0	0	985,242
Buildings	6,950,584	526,243	0	0	7,476,827
Equipment	5,770,398	203,993	(12,445)	0	5,961,946
	13,661,855	774,605	(12,445)	0	14,424,015
Depreciable assets, net	21,212,529	1,241,008	0	701,865	23,155,402
Capital assets, net	\$22,077,045	\$1,590,550	\$0	\$0	\$23,667,595

Sauk Valley Community College District 506

Notes to Financial Statements

Note 4 Long-Term Debt

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

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

The following is a summary of the long-term debt activity for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Payments	Balance June 30, 2016	Due Within One Year
Long-term debt:					
General obligation bonds	\$4,860,000	\$0	\$975,000	\$3,885,000	\$930,000
Bond premiums (discounts)	208,280	0	45,180	163,100	45,180
Compensated absences	324,357	190,693	252,213	262,837	175,225
Totals	\$5,392,637	\$190,693	\$1,272,393	\$4,310,937	\$1,150,405

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

Series 2014 General Obligation Bond Fiscal year ending June 30,	Principal	Interest	Total
2017	\$930,000	\$116,550	\$1,046,550
2018	955,000	88,650	1,043,650
2019	985,000	60,000	1,045,000
2020	1,015,000	30,450	1,045,450
Total debt maturities	\$3,885,000	\$295,650	\$4,180,650

The following is a schedule of the legal debt margin of the College as of June 30, 2016:

Assessed valuation – 2015 levy	\$1,607,595,766
Debt limit – 2.875% of assessed valuation	46,218,378
Less indebtedness	(3,885,000)
Legal debt margin, June 30, 2016	\$42,333,378

Sauk Valley Community College District 506

Notes to Financial Statements

Note 5 Defined Benefit Pension Plans

General Information about the Pension Plan

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

Benefits Provided. A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2015 can be found in the System's comprehensive annual financial report (CAFR) Notes to the Financial Statements.

Contributions. The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "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 2015 and 2016 respectively, was 11.71% and 12.69% 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).

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

Net Pension Liability.

At June 30, 2015, SURS reported a net pension liability (NPL) of \$23,756,361,087. The net pension liability was measured as of June 30, 2014.

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 \$46,145,300 or 0.1942%. This amount should not be recognized in the financial statement. The net pension liability and total pension liability as of June 30, 2015 was determined based on the June 30, 2014 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 2015.

Pension Expense.

At June 30, 2015 SURS reported a collective net pension expense of \$1,994,587,170.

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 2015. As a result, the College recognized on-behalf revenue and pension expense of \$3,874,365 for the fiscal year ended June 30, 2016.

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	\$27,312,043	\$0
Changes in assumption	609,393,909	0
Net difference between projected and actual earnings on pension plan investments	593,840,642	\$953,329,464
Total	\$1,230,546,594	\$953,329,464

Sauk Valley Community College District 506

Notes to Financial Statements

Note 5 Defined Benefit Pension Plans (continued)

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

Year Ending June 30	Net Deferred Outflows of Resources
2016	\$154,951,326
2017	118,957,720
2018	(145,152,075)
2019	148,460,159
Total	<u>\$277,217,130</u>

Employer Deferral of Fiscal Year 2016 Pension Expense

The College paid \$30,773 in federal, trust or grant contributions for the fiscal year ended June 30, 2016. These contributions were made subsequent to the pension liability date of June 30, 2015 and are recognized as Deferred Outflows of Resources as of June 30, 2016.

Assumptions and Other Inputs

Actuarial assumptions. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period June 30, 2010 – 2014. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 12.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

Mortality rates were based on the RP2000 Combined Mortality Table, projected with Scale AA to 2017, sex-distinct, with rates multiplied by 0.80 for males and 0.85 for females.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 5 Defined Benefit Pension Plans (continued)

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, 2015, 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%	5.77%
Private Equity	6%	9.23%
Non-U.S. Equity	19%	6.69%
Global Equity	8%	6.51%
Fixed Income	19%	1.12%
Treasury-Inflation Protected Securities	4%	1.22%
Emerging Market Debt	3%	4.61%
Real Estate REITS	4%	5.85%
Direct Real Estate	6%	4.37%
Commodities	2%	4.06%
Hedged Strategies	5%	3.99%
Opportunity Fund	1%	6.80%
Total	100%	5.02%
Inflation		3.00%
Expected Arithmetic Return		8.02%

Discount Rate. A single discount rate of 7.120% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.250% and a municipal bond rate of 3.80% (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 2072. As a result, the longterm expected rate of return on pension plan investments was applied to projected benefit payments through the year 2072, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the System's Net Pension Liability to Changes in the Discount Rate. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.12%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1- percentage-point higher:

1% Decrease 6.12%	Current Single Discount Rate Assumption 7.12%	1% Increase 8.12%
\$28,929,333,917	\$23,756,361,087	\$19,470,982,362

Sauk Valley Community College District 506

Notes to Financial Statements

Note 5 Defined Benefit Pension Plans (continued)

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

Note 6 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 2016, the College paid approximately \$101,000 to the Consortium for property, liability and worker's compensation protection. Since the Consortium requests initial payments to cover substantially any losses to be incurred for that policy year, the College anticipates no further liabilities for incurred losses.

During the year ended June 30, 1993, the College adopted a partial self-insurance plan which is accounted for in the Auxiliary Fund. The College is responsible for the first \$80,000 of covered medical expenses for each insured employee and covered family member and there is an unlimited maximum benefit per individual per life time. The College has accrued a liability of \$63,745, \$115,453, and \$165,000 as of June 30, 2016, 2015, and 2014, respectively, for claims incurred and reported as well as an estimate of claims incurred but not reported.

	2016	2015	2014
Balance, July 1	\$115,453	\$165,000	\$77,214
Claims incurred	1,895,764	1,758,089	1,468,808
Claims paid	(1,947,472)	(1,807,636)	(1,381,022)
Balance, June 30	\$63,745	\$115,453	\$165,000

Note 7 Accounting Changes

In February 2015, the Governmental Accounting Standards Board issued Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement when a market price is not readily determinable, and establishes a 3-level hierarchy of fair value that will be disclosed in the notes to the financial statements, based on the presence or absence of observable market inputs. The College adopted this guidance for the year ended June 30, 2016.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 8 Impact of Pending Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* addresses the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The College has not determined the effect of this Statement.

GASB Statement No. 77, *Tax Abatement Disclosures* requires governments that enter into tax abatement agreements to disclose the certain information about the agreements to allow readers of the financial statements to better access the revenue-generating capacity of the government. The provisions in Statement No. 77 are effective for reporting periods beginning after December 15, 2015. The College has not determined the effect of this Statement.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements by requiring the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The College has not determined the effect of this Statement.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses issues regarding the presentation of payroll related measures in requirement supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. 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.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 9 Component Unit (continued)

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis.

Financial Statement Presentation

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

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

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

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

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.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 9 Component Unit (continued)

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, 2016, there were no promises to give.

Income Taxes

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

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

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

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, 2013.

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.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 9 Component Unit (continued)

Certificates of Deposit

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

Investments and Investment Earnings

Investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. All investments are in mutual funds with readily determinable fair values. Investments are carried at fair value as determined by quoted market prices and realized and unrealized gains and losses are reported in the statement of activities. 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.

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 7, 2016 which is the date these financial statement were available to be issued. All subsequent events requiring recognition as of June 30, 2016 have been incorporated herein. There are no other subsequent events that require disclosure.

Accounting Standards Update

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

Sauk Valley Community College District 506

Notes to Financial Statements

Note 9 Component Unit (continued)

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 carried by the Foundation at fair market value. The investments at June 30, 2016 consisted of the following:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Mutual Funds - equity	\$2,507,457	\$2,344,221	\$163,236
Mutual Funds - bonds	1,595,359	1,581,507	13,852
	<u>\$4,102,816</u>	<u>\$3,925,728</u>	<u>\$177,088</u>

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

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

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

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

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

The following table presents the Foundation's approximate fair value hierarchy for the assets measured at fair value on a recurring basis as of June 30, 2016:

	Total	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value on a recurring basis:				
Mutual Funds - equity	\$2,507,457	\$0	\$2,507,457	\$0
Mutual Funds - bonds	1,595,359	0	1,595,359	0
	<u>\$4,102,816</u>	<u>\$0</u>	<u>\$4,102,816</u>	<u>\$0</u>

Sauk Valley Community College District 506

Notes to Financial Statements

Note 9 Component Unit (continued)

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

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, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Donor-restricted endowment funds	\$0	\$458,147	\$1,954,842	\$2,412,989

Sauk Valley Community College District 506

Notes to Financial Statements

Note 9 Component Unit (continued)

Endowment Funds (continued)

Changes in endowment net assets as of June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Endowment net assets	\$0	\$587,553	\$2,010,275	\$2,597,828
Investment return:				
Interest income	0	39,547	0	39,547
Net appreciation (realized and unrealized) on investments	0	(43,051)	0	(43,051)
Total investment return	0	(3,504)	0	(3,504)
Contributions	0	2,385	14,780	17,165
Reclassification per donor agreement	0	(5,233)	5,233	0
Reclassification per donor modification	0	0	(75,446)	(75,446)
Appropriation of endowment assets for expenditure	0	(123,054)	0	(123,054)
Endowment net assets, end of year	\$0	\$458,147	\$1,954,842	\$2,412,989

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 three individual donor-restricted endowment fund deficiencies totaling \$2,131 at June 30, 2016.

Return Objectives and Risk Parameters

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

Sauk Valley Community College District 506

Notes to Financial Statements

Note 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.

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

<u>Student scholarships, awards and College support</u>	<u>\$1,066,988</u>
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Permanently Restricted Net Assets:

Permanently restricted net assets are restricted to be held as investments, with a portion of earnings to be added to permanently restricted net assets and a portion of earnings to be used for scholarships and awards to students as well as College support. Earnings which are used for scholarships to students are temporarily restricted until such earnings are used for scholarships to students as specified by the donor, at which time they are reclassified as unrestricted. As of June 30, 2016 permanently restricted net assets totaled \$1,954,842.

Net Assets Released:

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

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the years ended June 30, 2016 for scholarships, awards and College support totaled \$273,590.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 9 Component Unit (continued)

Reclassification of Net Assets Due to Donor Modification:

During fiscal year 2016, a donor modified the terms of their original donation and agreed to release \$75,446 of permanently restricted net assets to temporarily restricted net assets where they could be used for scholarships and awards for students. The financial statements reflect a transfer from permanently restricted net assets to temporarily restricted net assets for the year ended June 30, 2016.

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 \$90,839 for the year ended June 30, 2016 and is recognized as both a revenue and expense in the statement of activities.

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, 2016, the Foundation has a payable balance due to the College in the amount of \$1,940,057.

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 Commitment. On May 12, 2016, the College entered into a contract with Swedberg & Associates, Inc. for \$943,430 for the 2016 Abatement Project and 2015 Abatement Project. The total amounts of the projects are budgeted at \$1,046,660, with the difference in amount coming from engineering and design fees. As of June 30, 2016, the College had incurred \$303,528 of expenses related to these projects. The remaining cost as of June 30, 2016, is \$743,132 with an estimated completion date of September 2016.

Sauk Valley Community College District 506

Notes to Financial Statements

Note 11 Related Party Transactions

On April 30, 2010 and 2013, the US Department of Education released the fund restrictions related to the College's Endowment Challenge Grant. On August 31, 2014, the College transferred approximately \$1.9 million to the Foundation to manage on behalf of the College pursuant to an agreement dated November 25, 2014. The College has entered into a "Gift Transfer and Management Agreement" with the Foundation to manage, invest, and otherwise hold all gifts for the benefit of the College. The corpus of the gifts shall be invested and held in a manner so that the corpus of the gifts are identifiable and distinguishable from the Foundation's other holdings. The Foundation may use the investment income generated from the gifts for any purpose consistent with the Foundation articles of incorporation and by-laws. As of June 30, 2016, the College has a receivable balance due from the Foundation in the amount of \$1,940,057, which is included in the other receivables balance on the College statement of position.

Required Supplemental 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)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Proportion percentage of the collective net pension liability	0%	0%								
Proportion amount of the collective net pension liability	\$0	\$0								
Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with the College	\$46,145,300	\$42,099,735								
College covered-employee payroll	\$7,131,343	\$7,069,741								
Proportion of collective net pension liability associated with the College as a percentage of covered-employee payroll	647.08%	595.49%								
SURS plan net position as a percentage of total pension liability	42.37%	44.39%								

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

Sauk Valley Community College District 506

Schedule of Contributions

Last 10 Fiscal Years

(Schedule to be Built Prospectively from 2014)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Federal, trust, grant and other contribution	\$30,773	\$26,915	\$26,184							
Contribution in relation to required contribution	30,773	26,915	26,184							
Contribution deficiency (excess)	\$0	\$0	\$0							
College covered-employee payroll	\$6,808,441	\$7,131,343	\$7,069,741							
Contribution as a percentage of covered-employee payroll	0.45%	0.38%	0.37%							
Additional information:										
On-behalf payments for community college health insurance program	\$36,410	\$36,046	\$35,273							

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

Sauk Valley Community College District 506 Covered Payroll

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

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

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

Sauk Valley Community College District 506

Notes to Required Supplemental Information

Note 1 Changes of Benefit Terms:

There were no benefit changes recognized in the Total Pension Liability as of June 30, 2015.

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, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015.

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

Supplemental Financial Information

Sauk Valley Community College District 506

Supplemental Financial Information Section

Uniform Financial Statements

The Uniform Financial Statements are required by the Illinois Community College Board for the purpose of providing consistent audited data for every community college district. Regardless of the basis of accounting used for a College's Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net position, the Uniform Financial Statements are completed using the modified accrual basis of accounting and a current financial resource measurement focus prescribed by the NCGA Statement No. 1 and related interpretations.

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, 2016

	Education Fund **	Operations and Maintenance Fund **	Operations and Maintenance Fund (Restricted)
Fund balance (deficit) at July 1, 2015	\$8,284,613	\$29,770	\$6,050,816
Revenue:			
Local taxes	4,305,485	527,613	795,927
All other local government	0	0	0
ICCB grants	349,362	43,178	0
All other state revenue	0	0	0
Federal revenue	5,303	0	0
Student tuition and fees	4,174,951	456,186	0
All other revenue	154,863	27,184	24,635
Total revenue	8,989,964	1,054,161	820,562
Expenditures:			
Instruction	4,605,886	0	34,409
Academic support	1,296,565	0	56,635
Student services	1,248,876	0	0
Public service	326,755	0	0
Auxiliary services**	0	0	0
Operation and maintenance**	0	1,341,066	0
Institutional support**	2,154,759	0	362,438
Scholarships, student grants, and waivers	927,775	0	0
Principal retirement	0	0	0
Interest and issuance costs	0	0	0
Building construction, building improvements, and equipment	0	0	2,359,786
Total expenditures	10,560,616	1,341,066	2,813,268
Other financing sources (uses):			
Transfers in	0	257,200	0
Transfers out	(257,200)	0	0
	(257,200)	257,200	0
Fund balance (deficit) at June 30, 2016	\$6,456,761	\$65	\$4,058,110

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

Bond and Interest Fund	Auxiliary Enterprise Fund **	Restricted Purpose Fund	Working Cash Fund	Audit Fund	Liability, Protection, and Settlement Fund **	Total
\$776,435	\$1,659,255	\$27,422	\$2,329,631	(\$16,267)	\$4,355,780	\$23,497,455
1,115,541	0	0	0	62,176	420,607	7,227,349
0	0	0	0	0	0	0
0	0	73,101	0	0	0	465,641
0	0	155,036	0	0	0	155,036
0	0	4,880,288	0	0	0	4,885,591
0	217,169	0	0	0	0	4,848,306
1,026	1,991,974	108,812	10,328	13	200,077	2,518,912
1,116,567	2,209,143	5,217,237	10,328	62,189	620,684	20,100,835
0	0	168,101	0	0	0	4,808,396
0	0	252	0	0	0	1,353,452
0	0	364,020	0	0	0	1,612,896
0	0	254,280	0	0	0	581,035
0	2,466,531	0	0	0	3,349	2,469,880
0	0	0	0	0	190,468	1,531,534
750	0	0	0	54,285	337,390	2,909,622
0	0	4,412,379	0	0	0	5,340,154
975,000	0	0	0	0	0	975,000
135,663	0	0	0	0	0	135,663
0	0	5,369	0	0	0	2,365,155
1,111,413	2,466,531	5,204,401	0	54,285	531,207	24,082,787
0	0	25,204	0	0	0	282,404
0	0	(25,204)	0	0	0	(282,404)
0	0	0	0	0	0	0
\$781,589	\$1,401,867	\$40,258	\$2,339,959	(\$8,363)	\$4,445,257	\$19,515,503

Sauk Valley Community College District 506

Uniform Financial Statement #2

Summary of Fixed Assets and Debt *

For the year ended June 30, 2016

	Fixed Assets/ Debt Account Groups July 1, 2015	Additions	Deletions	Reclassification	Fixed Assets/ Debt Account Groups June 30, 2016
Fixed assets:					
Sites and improvements	\$2,271,708	\$137,446	\$0	\$190,978	\$2,600,132
Buildings, additions and improvements	26,252,316	1,611,854	0	457,204	28,321,374
Equipment	6,513,011	266,313	12,445	53,683	6,820,562
Construction in process	701,865	349,542	0	(701,865)	349,542
Total fixed assets	35,738,900	2,365,155	12,445	0	38,091,610
Accumulated depreciation	13,661,855	774,605	12,445	0	14,424,015
Total net fixed assets	\$22,077,045	\$1,590,550	\$0	\$0	\$23,667,595
Fixed debts:					
Bonds payable	\$4,860,000	\$0	\$975,000	\$0	\$3,885,000
Bond premium	208,280	0	45,180	0	163,100
Other fixed liabilities	324,357	190,693	252,213	0	262,837
Total fixed debts	\$5,392,637	\$190,693	\$1,272,393	\$0	\$4,310,937

* Sauk Valley Community College had no tax anticipation warrants or tax anticipation notes outstanding during the year ended June 30, 2016.

Sauk Valley Community College District 506

Uniform Financial Statement #3

Operating Funds Revenues and Expenditures

For the year ended June 30, 2016

	Education Fund *	Operations and Maintenance Fund	Total Operating Funds
Operating revenues by source:			
Local government:			
Local taxes	\$3,900,542	\$477,564	\$4,378,106
Corporate personal property replacement tax	404,943	50,049	454,992
Total local government	4,305,485	527,613	4,833,098
State government:			
ICCB base operating grant	304,862	37,678	342,540
ICCB equalization grant	44,500	5,500	50,000
ICCB career and technical education	0	0	0
Other state sources **	0	0	0
Total state government	349,362	43,178	392,540
Federal government:			
Department of Education	4,565	0	4,565
Other federal sources	738	0	738
Total federal government	5,303	0	5,303
Student tuition and fees:			
Tuition	3,705,344	456,186	4,161,530
Fees	469,607	0	469,607
Total tuition and fees	4,174,951	456,186	4,631,137
Other sources:			
Sales and service fees	129,646	0	129,646
Facilities revenue	0	8,821	8,821
Interest	11,590	31	11,621
Other	13,627	18,332	31,959
Total other sources	154,863	27,184	182,047
Total revenue	8,989,964	1,054,161	10,044,125
Less nonoperating items *			
Tuition chargeback revenue	0	0	0
Adjusted revenue	\$8,989,964	\$1,054,161	\$10,044,125

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

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

Sauk Valley Community College District 506

Uniform Financial Statement #3

Operating Funds Revenues and Expenditures (Continued)

For the year ended June 30, 2016

	Education Fund *	Operations and Maintenance Fund	Total Operating Funds
Operating expenditures:			
By program:			
Instruction	\$4,605,886	\$0	\$4,605,886
Academic support	1,296,565	0	1,296,565
Student services	1,248,876	0	1,248,876
Public services	326,755	0	326,755
Operation and maintenance of plant**	0	1,341,066	1,341,066
Institutional support **	2,154,759	0	2,154,759
Scholarships, student grants, and waivers	927,775	0	927,775
Total expenditures	10,560,616	1,341,066	11,901,682
Less nonoperating items *			
Tuition chargeback	0	0	0
Adjusted expenditures	\$10,560,616	\$1,341,066	\$11,901,682
By object:			
Salaries	\$7,098,622	\$549,525	\$7,648,147
Employee benefits **	1,236,499	206,646	1,443,145
Contractual services	727,321	64,339	791,660
General materials and supplies	456,882	73,322	530,204
Conference and meeting expense	108,759	0	108,759
Fixed charges	391	35,407	35,798
Utilities	0	411,827	411,827
Capital outlay	0	0	0
Other	932,142	0	932,142
Total expenditures	10,560,616	1,341,066	11,901,682
Less nonoperating items *			
Tuition chargeback	0	0	0
Adjusted expenditures	\$10,560,616	\$1,341,066	\$11,901,682

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

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

Sauk Valley Community College District 506

Uniform Financial Statement #4

Restricted Purposes Fund Revenues and Expenditures

For the year ended June 30, 2016

Revenue by source:

State government:

ICCB:

State Adult Education Restricted Funds Grants	\$73,101
Illinois Veterans' Grant	69,057
ISAC - Monetary Award Grants	85,979
Other	0

Total state government 228,137

Federal government:

Department of Veteran Affairs:

Post 9/11 Veteran's Educational Assistance 61,308

Department of Education:

College Work Study Grants 181,464

Pell Grants 2,785,921

Supplemental Educational Opportunity Grant 68,728

Direct Loans 1,136,431

Federal Adult Basic 69,022

Trio - Student Support Services 262,705

Perkins Postsecondary 122,591

CTE Programs of Study 0

CTE Dual Credit Enhancement 0

Improving Teacher Quality State Grants 252

Corporation for National and Community Service:

AmeriCorps 191,866

Total federal government 4,880,288

Revenue by source (continued):

Other sources 108,812

Total restricted purposes fund revenues \$5,217,237

Sauk Valley Community College District 506
Uniform Financial Statement #4
Restricted Purposes Fund Revenues and Expenditures (Continued)
For the year ended June 30, 2016

Expenditures by program:	
Instruction	\$168,101
Academic support	252
Student services	369,389
Public services	254,280
Operations and maintenance	0
Institutional support	0
Scholarships, student grants, and waivers	4,412,379
<hr/>	
Total restricted purposes fund expenditures by program	\$5,204,401
<hr/>	
Expenditures by object:	
Salaries	\$720,157
Employee benefits	90,953
Contractual services	21,508
General materials and supplies	38,795
Travel, conference and meeting expense	39,907
Fixed charges	0
Utilities	0
Capital outlay	5,369
Other	4,287,712
<hr/>	
Total restricted purposes fund expenditures by object	\$5,204,401
<hr/>	

Sauk Valley Community College District 506

Uniform Financial Statement #5

Current Funds* - Expenditures by Activity

For the year ended June 30, 2016

Instruction:	
Instructional programs	\$4,724,558
Other	49,429
Total instructional	4,773,987
Academic support:	
Library	243,742
Academic computing support	357,046
Academic administration and planning	544,029
Other academic support	152,000
Total academic support	1,296,817
Student services:	
Admissions and records	301,636
Counseling and career guidance	609,661
Financial aid administration	223,241
Other student services	483,727
Total student services	1,618,265
Public service/continuing education:	
Community education	254,517
Community services	248,845
Other public service	77,673
Total public service/continuing education	581,035
Auxiliary services **	2,469,880
Operations and maintenance of plant:	
Maintenance	244,941
Custodial	421,630
Grounds	113,873
Campus Security	190,621
Plant utilities	411,827
Administration	142,811
Other operations and maintenance **	5,831
Total operations and maintenance of plant	1,531,534

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

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

Sauk Valley Community College District 506

Uniform Financial Statement #5

Current Funds* - Expenditures by Activity

For the year ended June 30, 2016

Institutional support:	
Executive management	369,766
Fiscal operations **	430,334
Community relations	281,408
Administrative support services	236,463
Board of trustees	49,836
General institution **	422,782
Institutional research	127,881
Administrative data processing	627,559
Other institutional support	405
<hr/> Total institutional support	<hr/> 2,546,434
Scholarships, student grants, and waivers	5,340,154
<hr/>	<hr/>
Total current funds expenditures	\$20,158,106

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

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

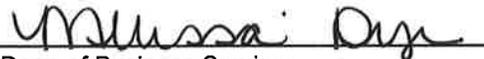
Sauk Valley Community College District 506

Certification of Chargeback Reimbursement

For Fiscal Year 2017

All fiscal year 2016 noncapital audited operating expenditures from the following funds:

1	Education Fund	\$10,560,616	
2	Operations and Maintenance Fund	1,341,066	
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	5,199,032	
7	Audit Fund	54,285	
8	Liability, Protection, and Settlement Fund	531,207	
9	Auxiliary Enterprises Fund (subsidy only)	<u>0</u>	
10	Total noncapital expenditures (sum of lines 1-6)		<u>\$17,686,206</u>
11	Depreciation on capital outlay expenditures (equipment, buildings, and fixed equipment paid) from sources other than state and federal funds	<u>\$769,135</u>	
12	Total costs included (line 10 plus line 11)		<u>\$18,455,341</u>
13	Total certified semester credit hours for FY 2016	<u>38,478</u>	
14	Per capita cost (line 12 divided by line 13)		\$479.63
15	All FY 2016 state and federal operating grants for noncapital expenditures, except ICCB grants	<u>N/A</u>	
16	FY 2016 state and federal grants per semester credit hour (line 15 divided by line 13)		N/A
17	District's average ICCB grant rate (excluding equalization grants) for FY 2017		N/A
18	District's student tuition and fee rate per semester credit hour for FY 2017		<u>122.00</u>
19	Chargeback reimbursement per semester credit hour (line 14 less lines 16, 17, and 18)		<u>N/A</u>

Approved: 
Dean of Business Services

10/6/16
Date


President

10/6/16
Date

Other Supplemental Financial Information

Sauk Valley Community College District 506

Balance Sheet - All Fund Types

June 30, 2016

ASSETS	Education	Operations and Maintenance	Operations and Maintenance Restricted
Cash and cash equivalents	\$2,184	\$39	\$921,790
Deposits	0	0	0
Investments	4,325,887	299,165	2,910,066
Receivables:			
Property taxes	2,793,547	342,116	570,194
Government claims and grants	72,910	9,011	0
Other	2,052,387	0	3,953
Advances to other funds	0	0	146,000
Prepaid items	140,474	25,129	0
Property and equipment, net	0	0	0
Total assets	9,387,389	675,460	4,552,003
Deferred outflows of resources:			
Deferred pension	0	0	0
Total assets and deferred outflows	\$9,387,389	\$675,460	\$4,552,003
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts payable	\$49,420	\$34,033	\$91,994
Accrued liabilities	451,442	30,019	0
Advances from other funds	420,000	151,100	0
Unearned tuition and fees	40,842	219,104	0
Accrued compensated absences	0	0	0
Bonds payable, net of unamortized premiums (discounts)	0	0	0
Total liabilities	961,704	434,256	91,994
Deferred inflows of resources:			
Deferred property taxes	1,968,924	241,139	401,899
Deferred grant revenue	0	0	0
Unamortized gain on refunding	0	0	0
Total deferred inflows	1,968,924	241,139	401,899
Fund balance / Net position (deficit):			
Net investment in capital assets	0	0	0
Restricted	0	0	4,058,110
Unrestricted	6,456,761	65	0
Total fund balance/net position (deficit)	6,456,761	65	4,058,110
Total liabilities, deferred inflows of resources, and fund balances/net position	\$9,387,389	\$675,460	\$4,552,003

Bond and Interest	Auxiliary Enterprises Fund	Restricted Purpose	Working Cash Fund	Trust and Agency Fund	Audit	Liability, Protection, and Settlement Fund
\$610,179	\$521,092	\$0	\$84,455	\$52,087	\$58	\$733
0	0	0	2,250,000	0	0	0
0	0	294,729	0	0	0	4,365,346
745,262	0	0	0	0	44,399	322,643
0	0	269,687	0	0	0	0
0	1,805	0	5,504	0	0	16,233
0	1,053,441	0	0	0	0	0
0	34,298	37,144	0	25	0	75,228
0	0	0	0	0	0	0
1,355,441	1,610,636	601,560	2,339,959	52,112	44,457	4,780,183
0	0	0	0	0	0	0
\$1,355,441	\$1,610,636	\$601,560	\$2,339,959	\$52,112	\$44,457	\$4,780,183
\$0	\$71,069	\$4,875	\$0	\$52,112	\$2,025	\$1,318
48,563	2,055	8,628	0	0	0	4,199
0	0	506,841	0	0	19,500	102,000
0	135,645	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
48,563	208,769	520,344	0	52,112	21,525	107,517
525,289	0	0	0	0	31,295	227,409
0	0	40,958	0	0	0	0
0	0	0	0	0	0	0
525,289	0	40,958	0	0	31,295	227,409
0	0	0	0	0	0	0
781,589	0	40,258	2,339,959	0	0	0
0	1,401,867	0	0	0	(8,363)	4,445,257
781,589	1,401,867	40,258	2,339,959	0	(8,363)	4,445,257
\$1,355,441	\$1,610,636	\$601,560	\$2,339,959	\$52,112	\$44,457	\$4,780,183

Sauk Valley Community College District 506

Balance Sheet - All Fund Types - (Continued)

June 30, 2016

ASSETS AND DEFERRED OUTFLOWS	Fund Totals	GASB			Adjusted Totals
		General Fixed Assets Account	General Long Term Debt Account	Other Adjustments	
Cash and cash equivalents	\$2,192,617	\$0	\$0	\$0	\$2,192,617
Deposits	2,250,000	0	0	0	2,250,000
Investments	12,195,193	0	0	0	12,195,193
Receivables:					
Property taxes	4,818,161	0	0	0	4,818,161
Government claims and grants	351,608	0	0	0	351,608
Other	2,079,882	0	0	0	2,079,882
Advances to other funds	1,199,441	0	0	(1,199,441)	0
Prepaid items	312,298	0	0	(83,001)	229,297
Property and equipment, net	0	23,667,595	0	0	23,667,595
Total assets	25,399,200	23,667,595	0	(1,282,442)	47,784,353
Deferred outflows of resources:					
Deferred pension	0	0	0	30,773	30,773
Total assets and deferred outflows	\$25,399,200	\$23,667,595	\$0	(\$1,251,669)	\$47,815,126
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities:					
Accounts payable	\$306,846	\$0	\$0	\$0	\$306,846
Accrued liabilities	544,906	0	0	(262,837)	282,069
Advances from other funds	1,199,441	0	0	(1,199,441)	0
Unearned tuition and fees	395,591	0	0	(222,711)	172,880
Accrued compensated absences	0	0	0	262,837	262,837
Bonds payable, net of unamortized premiums (discounts)	0	0	4,048,100	0	4,048,100
Total liabilities	2,446,784	0	4,048,100	(1,422,152)	5,072,732
Deferred inflows of resources:					
Deferred property taxes	3,395,955	0	0	0	3,395,955
Deferred grant revenue	40,958	0	0	0	40,958
Unamortized gain on refunding	0	0	0	0	0
Total deferred inflows	3,436,913	0	0	0	3,436,913
Fund balance / Net position (deficit):					
Net investment in capital assets	0	23,667,595	(4,048,100)	0	19,619,495
Restricted	7,219,916	0	0	0	7,219,916
Unrestricted	12,295,587	0	0	170,483	12,466,070
Total fund balance/net position (deficit)	19,515,503	23,667,595	(4,048,100)	170,483	39,305,481
Total liabilities, deferred inflows of resources, and fund balances/net position	\$25,399,200	\$23,667,595	\$0	(\$1,251,669)	\$47,815,126

Sauk Valley Community College District 506
Combining Schedule of Revenues, Expenditures/Expenses,
and Changes in Fund Balance (Deficit) - All Fund Types
For the year ended June 30, 2016

	Education	Operations and Maintenance	Operations and Maintenance Restricted
Revenues:			
Local government	\$4,305,485	\$527,613	\$795,927
State government	349,362	43,178	0
State of Illinois SURS on-behalf payments	3,468,741	276,971	0
Federal government	5,303	0	0
Student tuition and fees	4,174,951	456,186	0
Sales and service fees	129,646	0	0
Interest	11,590	31	32,084
Net increase (decrease) in fair value of investments	0	0	(7,900)
Other	13,627	27,153	451
Total revenues	12,458,705	1,331,132	820,562
Expenditures/expenses:			
Current:			
Instruction	4,605,886	0	87,984
Academic support	1,296,565	0	56,635
Student services	1,248,876	0	0
Public services	326,755	0	0
Auxiliary services	0	0	0
Operation and maintenance of plant	0	1,618,037	8,403
Institutional support	5,623,500	0	2,660,246
Scholarships, student grants, and waivers	927,775	0	0
Depreciation expense	0	0	0
Debt service:			
Principal retirement	0	0	0
Interest	0	0	0
Bond issuance costs	0	0	0
Total expenditures/expenses	14,029,357	1,618,037	2,813,268
Excess (deficiency) of revenues over expenditures/expenses	(1,570,652)	(286,905)	(1,992,706)
Other financing sources (uses):			
Transfers in	0	257,200	0
Transfers out	(257,200)	0	0
Total other financing sources (uses)	(257,200)	257,200	0
Net change in fund balance / net position	(1,827,852)	(29,705)	(1,992,706)
Fund balance / net position at beginning of year (deficit)	8,284,613	29,770	6,050,816
Fund balance / net position at end of year (deficit)	\$6,456,761	\$65	\$4,058,110

Bond and Interest	Auxiliary Enterprises Fund	Restricted Purpose	Working Cash Fund	Trust and Agency Fund	Audit	Liability, Protection, and Settlement Fund
\$1,115,541	\$0	\$0	\$0	\$0	\$62,176	\$420,607
0	0	228,137	0	0	0	0
0	66,417	0	0	0	0	98,645
0	0	4,880,288	0	0	0	0
0	217,169	0	0	0	0	0
0	27,479	0	0	0	0	0
1,026	2,632	0	10,328	0	13	78,810
0	0	0	0	0	0	121,267
0	1,961,863	108,812	0	0	0	0
1,116,567	2,275,560	5,217,237	10,328	0	62,189	719,329
0	0	168,101	0	0	0	0
0	0	252	0	0	0	0
0	0	369,389	0	0	0	0
0	0	254,280	0	0	0	0
0	2,532,948	0	0	0	0	3,349
0	0	0	0	0	0	190,468
750	0	0	0	0	54,285	436,035
0	0	4,412,379	0	0	0	0
0	0	0	0	0	0	0
975,000	0	0	0	0	0	0
135,663	0	0	0	0	0	0
0	0	0	0	0	0	0
1,111,413	2,532,948	5,204,401	0	0	54,285	629,852
5,154	(257,388)	12,836	10,328	0	7,904	89,477
0	0	25,204	0	0	0	0
0	0	(25,204)	0	0	0	0
0	0	0	0	0	0	0
5,154	(257,388)	12,836	10,328	0	7,904	89,477
776,435	1,659,255	27,422	2,329,631	0	(16,267)	4,355,780
\$781,589	\$1,401,867	\$40,258	\$2,339,959	\$0	(\$8,363)	\$4,445,257

Sauk Valley Community College District 506
Combining Schedule of Revenues, Expenditures/Expenses,
and Changes in Fund Balance (Deficit) - All Fund Types (Continued)
For the year ended June 30, 2016

	Fund Totals	GASB			Adjusted Totals
		General Fixed Assets Account	General Long-Term Debt Account	Other Adjustments	
Revenues:					
Local government	\$7,227,349	\$0	\$0	\$0	\$7,227,349
State government	620,677	0	0	0	620,677
State of Illinois SURS on-behalf payments	3,910,774	0	0	(3,910,774)	0
Federal government	4,885,591	0	0	0	4,885,591
Student tuition and fees	4,848,306	0	0	(2,252,284)	2,596,022
Sales and service fees	157,125	0	0	0	157,125
Interest	136,514	0	0	0	136,514
Net increase (decrease) in fair value of investments	113,367	0	0	0	113,367
Other	2,111,906	0	0	2,034,289	4,146,195
Total revenues	24,011,609	0	0	(4,128,769)	19,882,840
Expenditures/expenses:					
Current:					
Instruction	4,861,971	(53,575)	0	5,706	4,814,102
Academic support	1,353,452	0	0	0	1,353,452
Student services	1,618,265	(5,369)	0	0	1,612,896
Public services	581,035	0	0	0	581,035
Auxiliary services	2,536,297	0	0	(1,876,575)	659,722
Operation and maintenance of plant	1,816,908	(8,403)	0	(329)	1,808,176
Institutional support	8,774,816	(2,297,808)	0	(3,439)	6,473,569
Scholarships, student grants, and waivers	5,340,154	0	0	(2,302,118)	3,038,036
Depreciation expense	0	774,605	0	0	774,605
Debt service:					
Principal retirement	975,000	0	(975,000)	0	0
Interest	135,663	0	(89,864)	0	45,799
Bond issuance costs	0	0	0	0	0
Total expenditures/expenses	27,993,561	(1,590,550)	(1,064,864)	(4,176,755)	21,161,392
Excess (deficiency) of revenues over expenditures/expenses	(3,981,952)	1,590,550	1,064,864	47,986	(1,278,552)
Other financing sources (uses):					
Transfers in	282,404	0	0	0	282,404
Transfers out	(282,404)	0	0	0	(282,404)
Total other financing sources (uses)	0	0	0	0	0
Net change in fund balance / net position	(3,981,952)	1,590,550	1,064,864	47,986	(1,278,552)
Fund balance/net position at beginning of year (deficit)	23,497,455	22,077,045	(5,112,964)	122,497	\$40,584,033
Fund balance/net position at end of year (deficit)	\$19,515,503	\$23,667,595	(\$4,048,100)	\$170,483	\$39,305,481

Sauk Valley Community College District 506

Assessed Valuations, Tax Rates, Tax Extensions and Tax Collections

Levy Years 2015, 2014, and 2013

	2015	2014	2013
Assessed Valuations:			
Bureau County	\$91,772,212	\$89,861,321	\$88,129,868
Carroll County	83,829,049	81,621,067	78,479,598
Henry County	3,424,071	3,244,206	3,069,318
Lee County	589,998,420	575,094,137	569,818,821
Ogle County	112,968,848	111,019,679	111,252,856
Whiteside County	725,603,166	718,130,558	714,286,573
Total assessed valuations	\$1,607,595,766	\$1,578,970,968	\$1,565,037,034
Tax Rate (per \$100 assessed valuation):			
Bond and Interest Fund	0.0654	0.0722	0.0952
Audit Fund	0.0039	0.0039	0.0046
Liability, Protection, and Settlement	0.0193	0.0177	0.0000
Social Security	0.0090	0.0085	0.0042
Operations and Maintenance Accounts	0.0300	0.0300	0.0300
Operations and Maintenance Accounts - Restricted	0.0500	0.0500	0.0500
Educational Accounts	0.2450	0.2450	0.2450
Total tax rate	0.4226	0.4273	0.4290
Tax Extensions:			
Bond and Interest Fund	\$1,051,368	\$1,140,017	\$1,489,915
Audit Fund	62,696	61,580	71,992
Liability, Protection, and Settlement	310,266	279,478	0
Social Security	144,683	134,213	65,732
Operations and Maintenance Accounts	482,279	473,691	469,511
Operations and Maintenance Accounts - Restricted	803,798	789,485	782,519
Educational Accounts	3,938,610	3,868,479	3,834,340
Total tax extensions	\$6,793,700	\$6,746,943	\$6,714,009
Tax Collections to June 30:			
Bond and Interest Fund	\$305,316	\$1,159,890	\$1,499,703
Audit Fund	18,190	61,723	71,386
Liability, Protection, and Settlement	90,159	270,109	14
Social Security	42,017	130,508	61,896
Operations and Maintenance Accounts	140,163	473,271	468,446
Operations and Maintenance Accounts - Restricted	233,604	788,770	780,720
Educational Accounts	1,144,301	3,865,857	3,824,508
Total tax collections	\$1,973,750	\$6,750,128	\$6,706,673
Percent of extensions collected	29.05%	100.05%	99.89%

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, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the grant policy guidelines of the Illinois Community College Board's *Fiscal Management Manual*. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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. Our audit also included a review of compliance with the provisions of laws, regulations, contracts, and grants between the College and the State of Illinois and Illinois Community College Board (ICCB).

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Adult Education and Family Literacy Grants of the Sauk Valley Community College District 506 as of June 30, 2016, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Compliance

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the State Adult Education and Family Literacy Grants and do not purport to, and do not present fairly the financial position of the College as of June 30, 2016, 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 7, 2016

Sauk Valley Community College District 506

Balance Sheet

State Adult Education Restricted Funds Grant

June 30, 2016

ASSETS	State Basic	State Public Assistance	State Performance	Total
Cash	\$90	\$0	\$0	\$90
Investments	6,860	0	4,166	11,026
Receivables	51,650	0	21,276	72,926
Total assets	\$58,600	\$0	\$25,442	\$84,042
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accrued liabilities	\$0	\$0	\$530	\$530
Advances from other funds	58,600	0	24,912	83,512
Total liabilities	58,600	0	25,442	84,042
Fund balance	0	0	0	0
Total liabilities, deferred inflows of resources, and fund balances	\$58,600	\$0	\$25,442	\$84,042

Sauk Valley Community College District 506
Statement of Revenues, Expenditures and Changes in Fund Balance
State Adult Education Restricted Funds Grants
For the year ended June 30, 2016

	State Basic	State Public Assistance	State Performance	Total
Revenues -				
Grant revenue	\$51,650	\$140	\$21,311	\$73,101
Expenditures:				
Instruction	25,262	0	0	25,262
Social work services	1,161	0	0	1,161
Guidance services	11,566	0	0	11,566
Assessment and testing	0	0	0	0
Student transportation services	0	0	120	120
Literacy services	0	0	0	0
Subtotal instructional and student services	37,989	0	120	38,109
Improvement of instructional services	0	0	0	0
General administration	72	0	21,156	21,228
Data and information services	13,589	0	0	13,589
Subtotal program support	13,661	0	21,156	34,817
Payment of prior year's encumbrances				
Instruction	0	140	0	140
General administration	0	0	35	35
Subtotal prior year's encumbrances	0	140	35	175
Total expenditures	51,650	140	21,311	73,101
Excess of revenues over expenditures	0	0	0	0
Fund balance at beginning of year	0	0	0	0
Fund balance at end of year	\$0	\$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 Restricted Funds Grants

For the year ended June 30, 2016

State Basic	Audited Expenditure Amount	Actual Expenditure Percentage
Instruction (45% minimum required)	\$25,262	48.91%
General Administration (15% maximum allowed)	\$72	0.14%

Sauk Valley Community College District 506

Notes to ICCB Grant Programs Financial Statements

Note 1 Summary of Significant Accounting Policies

General

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

Basis of Accounting

The statements have been prepared on the modified accrual basis of accounting. Expenditures include all accounts payable representing liabilities for goods and services actually received as of June 30, 2016. Funds obligated for goods prior to June 30, for which the goods are received prior to August 31, are recorded as encumbrances. Unexpended funds are reflected as a reduction to fund balance and a liability due to the Illinois Community College Board by October 15.

Fixed Assets

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

Note 2 Payment of Prior Year's Encumbrances

Payments of prior year's encumbrances for goods received prior to August 31 are reflected as expenditures during the current fiscal year.

Sauk Valley Community College District 506

Background Information on State Grant Activity

Restricted Adult Education Grants/State

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

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



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

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

We have examined the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed of Sauk Valley Community College District 506 (the College) for the year ended June 30, 2016. The Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed is the responsibility of the College's management. Our responsibility is to express an opinion on the schedule based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the guidelines of the Illinois Community College Board's *Fiscal Management Manual*, and accordingly, including examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the College's compliance with statutory requirements.

In our opinion, the Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed presents fairly, in all material respects, the student enrollment and other bases upon which claims are filed and the reconciliation of semester credit hours of Sauk Valley Community College District 506 for the year ended June 30, 2016, in conformity with the Illinois Community College Board's *Fiscal Management Manual*.

Wipfli LLP

Sterling, Illinois
October 7, 2016

Sauk Valley Community College District 506
Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed
For the year ended June 30, 2016

	Total Semester Credit Hours by Term (In-District and Out of District Reimbursable) *							
	Summer		Fall		Spring		Total	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Categories:								
Baccalaureate	2,276.0	0.0	10,618.0	0.0	10,967.0	0.0	23,861.0	0.0
Business Occupational	253.0	0.0	1,133.0	32.0	1,076.0	24.0	2,462.0	56.0
Technical Occupation	164.0	0.0	2,073.0	0.0	2,013.5	0.0	4,250.5	0.0
Health Occupational	417.5	0.0	2,074.5	0.0	1,893.5	16.0	4,385.5	16.0
Remedial Development	320.0	0.0	1,496.0	0.0	1,002.0	0.0	2,818.0	0.0
Adult Basic/Secondary Education	0.0	127.0	0.0	276.0	0.0	226.0	0.0	629.0
Total credit hours certified	3,430.5	127.0	17,394.5	308.0	16,952.0	266.0	37,777.0	701.0

	Attending In-District	Attending Out-of-District on Chargeback or Cooperative/ Contractual Agreement	Total
Reimbursable semester credit hours (all terms)	38,299.0	710.5	39,009.5
Reimbursable semester credit hours (all terms)	5,131.0	74.0	
District prior year equalized assessed valuation			\$1,607,595,766

	Correctional Semester Credit Hours by Term			
	Summer	Fall	Spring	Total
Categories:				
Baccalaureate	0.0	0.0	0.0	0.0
Business Occupational	0.0	0.0	0.0	0.0
Technical Occupation	0.0	0.0	0.0	0.0
Health Occupational	0.0	0.0	0.0	0.0
Remedial Development	0.0	0.0	0.0	0.0
Adult Basic/Secondary Education	0.0	0.0	0.0	0.0
Total credit hours certified	0.0	0.0	0.0	0.0

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

Signatures


President


Dean of Business Services

Sauk Valley Community College District 506

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

(Continued)

For the year ended June 30, 2016

Reconciliation of Total Semester Credit Hours For the year ended June 30, 2016

	Total Unrestricted Credit Hours	Total Unrestricted Credit Hours Certified to the ICCB	Difference	Total Restricted Credit Hours	Total Restricted Credit hours Certified to the ICCB	Difference
Categories:						
Baccalaureate	23,861.0	23,861.0	0.0	0.0	0.0	0.0
Business Occupational	2,462.0	2,462.0	0.0	56.0	56.0	0.0
Technical Occupation	4,250.5	4,250.5	0.0	0.0	0.0	0.0
Health Occupational	4,385.5	4,385.5	0.0	16.0	16.0	0.0
Remedial Development	2,818.0	2,818.0	0.0	0.0	0.0	0.0
Adult Basic/Secondary Education	0.0	0.0	0.0	629.0	629.0	0.0
Total	37,777.0	37,777.0	0.0	701.0	701.0	0.0

Reconciliation of In-District/Chargeback and Cooperative/ Contractual Agreement Credit Hours

	Total Attending (Unrestricted and Restricted)	Total Attending as Certified to the ICCB	Difference
In-district residents	38,299.0	38,299.0	0.0
Out-of-districts on chargeback or contractual agreement	710.5	710.5	0.0
	Total Reimbursable	Total Reimbursable Certified to ICCB	Difference
Dual credit	5,131.0	5,131.0	0.0
Dual enrollment	74.0	74.0	0.0

Reconciliation of Total Correctional Semester Credit Hours For the year ended June 30, 2016

	Total Correctional Credit Hours	Total Correctional Credit Hours Certified to the ICCB	Difference
Categories:			
Baccalaureate	0.0	0.0	0.0
Business Occupational	0.0	0.0	0.0
Technical Occupation	0.0	0.0	0.0
Health Occupational	0.0	0.0	0.0
Remedial Development	0.0	0.0	0.0
Adult Basic/Secondary Education	0.0	0.0	0.0
Total	0.0	0.0	0.0

Sauk Valley Community College District 506

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

Note 1 Residency Verification Process

Procedures for Verifying and Classifying Residency

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

ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Sauk Valley Community College District 506 (the College), as of and for the year ended June 30, 2016, 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 7, 2016.

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 7, 2016



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

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

Report on Compliance for Each Major Federal Program

We have audited Sauk Valley Community College District 506's (the "College") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. 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

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, 2016.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

Wipfli LLP

Sterling, Illinois
October 7, 2016

Sauk Valley Community College District 506

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Veteran's Affairs			
Direct award:			
Post 9/11 Veteran's Education Assistance	64.028		\$62,046
U.S. Department of Education:			
Pass-through Illinois Community College Board:			
Adult Education:			
Federal Adult Basic	84.002A	50601	\$69,022
Direct awards:			
Student Financial Assistance:			
Federal Supplemental Educational Opportunity Grants (m)	84.007	P007AXX1275	93,932
Federal Work Study Program (m)	84.033	P033AXX1275	156,260
Federal Pell Grant Program (m)	84.063	P063XXX1379	2,790,486
Federal Direct Loan Program (m)	84.268	P268KXX1379	1,136,431
Total student financial assistance cluster			4,177,109
Direct award:			
TRIO - Student Support Services	84.042A	P042A100620-1X	262,705
Passed through the Illinois Community College Board:			
Career and Technical Education - Basic Grants to States			
Perkins Postsecondary Grants	84.048	CTE5061X	122,591
Passed through the Illinois Community College Board:			
Improving Teacher Quality State Grants	84.367A	15BTG506	252
Total U.S. Department of Education			\$4,631,679
Corporation for National and Community Service			
Passed through the Illinois Department of Public Health			
AmeriCorps - Formula Program	94.006	67388016D	\$191,866
Total federal awards expended			\$4,885,591

(m) Denotes major program

Sauk Valley Community College District 506

Notes to the Schedule of Expenditures of Federal Awards

Note 1 Significant Accounting Policy

Reporting entity and basis of accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sauk Valley Community College District 506 (the "College") for the year ended June 30, 2016, 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.

Note 2 Loan Program

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

Note 3 Subrecipient Payments

The College did not provide any federal payments to subrecipients during the year ended June 30, 2016.

Note 4 Non-cash Assistance

The College did not expend any federal awards in the form of non-cash assistance during the year ended June 30, 2016.

Note 5 Other Federal Award Information

The College did not receive or administer any insurance or loan guarantees during fiscal year ended June 30, 2016.

Sauk Valley Community College District 506

Schedule of Findings and Questioned Costs

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

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

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

Section II – Financial Statement Findings

A. Internal Control

None

B. Compliance Finding

None

Section III – Federal Award Findings and Questioned Costs

A. Internal Control

None

B. Compliance Findings

None

Sauk Valley Community College District

Summary Schedule of Prior Audit Findings

Prior Year Findings:

June 30, 2015

- 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

Sauk Valley Community College District

Summary Schedule of Prior Audit Findings

June 30, 2014

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

C. Internal Control

Finding 2014-001

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

Cause – All accounting personnel have access to post journal entries without review. There are no procedures in place to mitigate unauthorized journal entries.

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

Auditor's Recommendation – Access to post manual journal entries be restricted to authorized personnel or implement a routine review of manual journal entries.

View of responsible officials – The College will limit access to enter manual journal entries to authorized personnel. In addition at the end of each month, the Director of Business Services will review the journal vouchers report and compare it the manual journal vouchers forms to verify that no unauthorized entries were posted.

Anticipated Date of Completion – Completed as of June 30, 2015.

Contact Person – Melissa Dye, Director of Business Services

D. Compliance Finding

None

IV. Findings and Questioned Costs for Federal Awards

C. Internal Control

None

D. Compliance Finding

None