

**SAUK VALLEY COMMUNITY COLLEGE DISTRICT 506**

**DIXON, ILLINOIS**

**ANNUAL FINANCIAL REPORT**

**For the fiscal year ended June 30, 2014**



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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 aggregate discretely presented component unit of Sauk Valley Community College District 506 (the College) as of and for the year ended June 30, 2014, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on aggregate audit. We did not audit the financial statements of Sauk Valley College Foundation, the College's aggregate discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Sauk Valley College Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. 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, the College's discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

### ***Opinion***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of Sauk Valley Community College District 506, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sauk Valley Community College District 506's 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 Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 on pages 41 through 47 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2014, 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 Sauk Valley Community College District 506's internal control over financial reporting and compliance.

*Wipfli LLP*

Sterling, Illinois  
October 14, 2014



# Sauk Valley Community College District 506

## Management Discussion and Analysis

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### 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, 2014.

The MD&A provides an overview of the College's financial position at June 30, 2014 and the results of operations for the year. This summary should not be taken as a replacement for the audit report, which consists of the financial statements, notes to the financial statements, required and other supplementary information.

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

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

### Financial Highlights

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

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

Financial highlights for the College included the following for the year ended June 30, 2014:

- The College paid down \$1,705 thousand of long-term debt during the year.
- The College had approximately \$729 thousand of State funding in arrears at June 30, 2014.
- Net position increased during FY 2014 by approximately \$1,718 thousand.
- During FY2014, the College's enrollment in credit hours decreased about 4%.

### 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

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.

### Components of Financial Statements (continued)

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, 2014 and 2013:

### Financial Analysis of the College as a Whole

	Net Position		Increase (Decrease)	Percent Change
	As of June 30, (in thousands)			
	2014	2013		
Current assets	\$22,021	\$22,484	\$(463)	(2.1)%
Noncurrent assets:				
Capital assets, net	21,520	20,423	1,097	5.4%
Other	3,784	4,635	(851)	(18.4)%
Total assets	47,325	47,542	(217)	(0.5)%
Current liabilities	3,134	3,565	(431)	(12.1)%
Noncurrent liabilities	1,085	2,457	(1,372)	(55.8)%
Total liabilities	4,219	6,022	(1,803)	(29.9)%
Deferred inflows of resources	3,389	3,521	(132)	(3.7)%
Total liabilities and deferred inflows	7,608	9,542	(1,935)	(20.3)%
Net position:				
Net investment in capital assets	19,099	16,333	2,766	16.9%
Restricted	3,706	5,857	(2,151)	(36.7)%
Unrestricted	16,912	15,809	1,103	7.0%
Total net position	\$39,717	\$37,999	\$1,718	4.5%

The College's total net position at June 30, 2014 increased \$1,718 thousand, an increase of approximately 4.5%.

In fiscal year 2014, the College's total assets decreased by \$217 thousand. Current assets decreased \$463 thousand. This decrease is due primarily to property tax receivable decreasing by \$268 thousand, government receivables decreasing by \$371 thousand, prepaid increasing by \$136 thousand and cash/investments increasing by \$35 thousand. Noncurrent assets increased \$246 thousand primarily due to capital assets increasing by \$1,097 thousand and restricted investments decreasing by \$851 thousand.

Total liabilities and deferred inflows decreased \$1,935 thousand. Current liabilities decreased \$431 thousand due to deferred revenue decreasing by \$193 thousand, accrued expenses decreasing by \$35 thousand and current maturities decreasing by \$209 thousand. Noncurrent liabilities decreased \$1,372 thousand due to bond payable decreasing by \$1,460 thousand and compensated absence accrual increasing by \$88 thousand. Deferred inflows decreased \$132 thousand due to reduction in the property tax accrual due to a decrease in EAV for 2013.

# Sauk Valley Community College District 506

## Management Discussion and Analysis

### Financial Analysis of the College as a Whole (continued)

In fiscal year 2014, the College's total net position increased \$1,718 thousand. Restricted net position decreased \$2,151 thousand primarily due to scholarships & grants decreasing by \$1,208 thousand due to the releasing of Challenge Grant funds, capital project funds decreasing by \$888 thousand and debt services fund decreasing by \$55 thousand. Net investment in capital assets increased by \$2,766 thousand due to capital assets increasing by \$1,097 thousand and debt services payable decreasing by \$1,669 thousand.

Revenues and expenses for the years ended June 30, 2014 and 2013 are as follows:

<b>Operating Results for the Year Ended June 30, (in thousands)</b>				
	<b>2014</b>	<b>2013</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
<b>Revenues:</b>				
Tuition and fees	\$3,031	\$2,843	\$188	6.6%
Auxiliary	161	285	(124)	(43.5)%
State sources	3,491	3,369	122	3.6%
Federal sources	5,578	5,667	(89)	(1.6)%
Property taxes	6,845	6,988	(143)	(2.0)%
Personal property replacement tax	462	457	5	1.1%
Interest income	117	166	(49)	(29.5)%
Other	3,123	2,903	220	7.6%
<b>Total revenues</b>	<b>22,808</b>	<b>22,678</b>	<b>130</b>	<b>0.6%</b>
<b>Expenses:</b>				
Instruction	5,096	5,205	(109)	(2.1)%
Academic support	1,299	1,290	9	0.7%
Student services	1,838	1,762	76	4.3%
Public services	507	650	(143)	(22.0)%
Independent operations	237	131	106	80.9%
Operations and maintenance	1,973	1,749	224	12.8%
Institutional support	5,417	6,227	(810)	(13.0)%
Scholarships, grants and waivers	3,872	3,808	64	1.7%
Depreciation	781	727	54	7.4%
Interest	70	113	(43)	(38.1)%
Other	0	238	(238)	(100.0)%
<b>Total expenses</b>	<b>21,090</b>	<b>21,900</b>	<b>(810)</b>	<b>(3.7)%</b>
Change in net position	1,718	778	940	120.8%
Net position, beginning of year	37,999	37,221	778	2.1%
<b>Net position, end of year</b>	<b>\$39,717</b>	<b>\$37,999</b>	<b>\$1,718</b>	<b>4.5%</b>

# Sauk Valley Community College District 506

## Management Discussion and Analysis

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### Financial Analysis of the College as a Whole (continued)

At June 30, 2014, net position increased \$1,718 thousand. Compared to fiscal year 2013, revenues increased \$130 thousand and expenses decreased \$810 thousand.

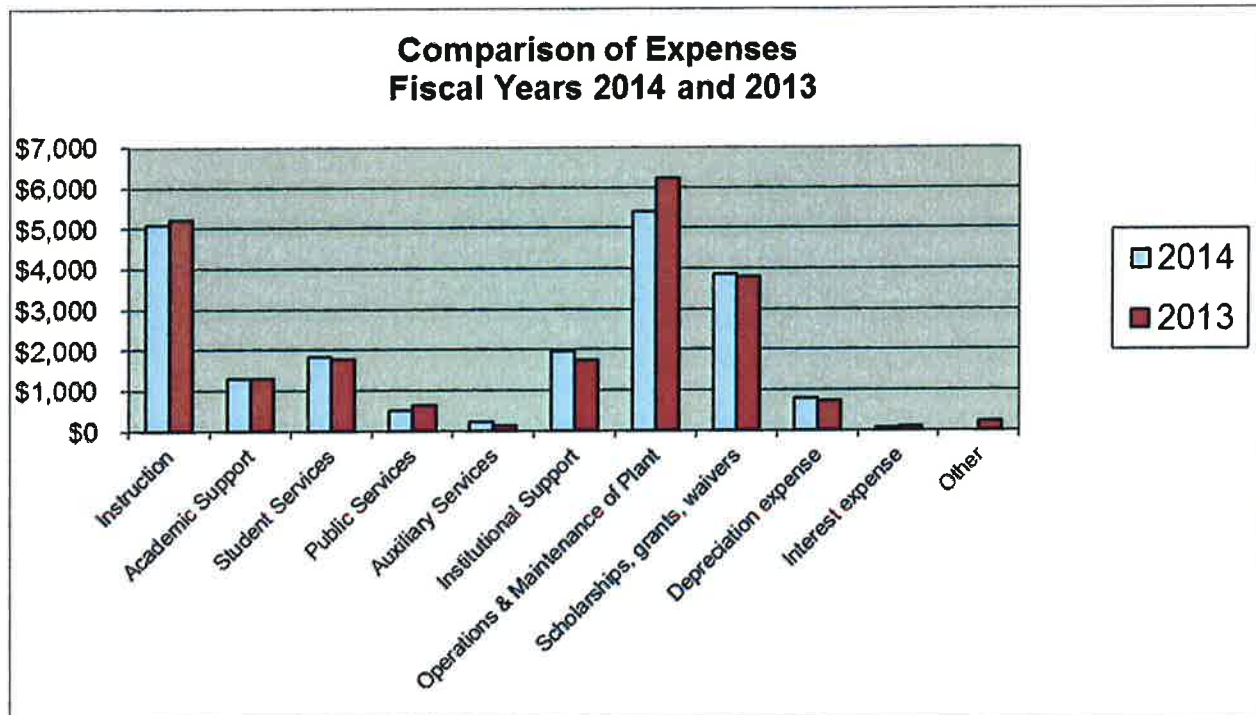
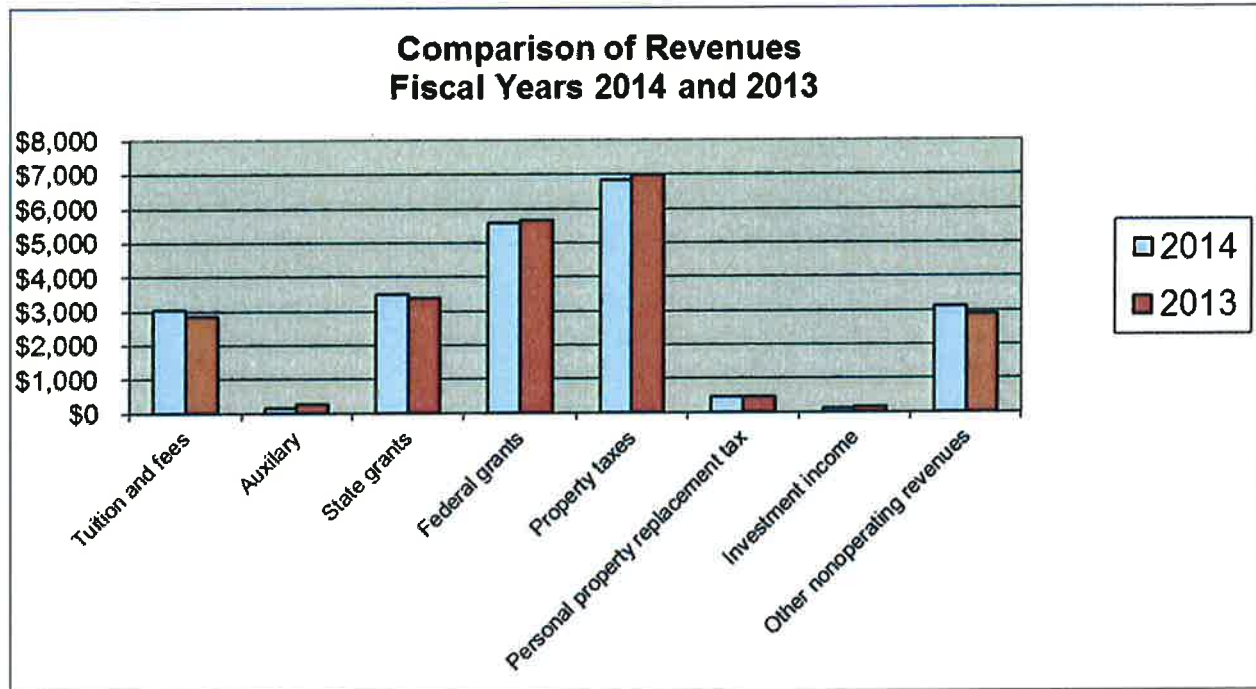
Tuition and fees and auxiliary revenues increased by \$64 thousand over fiscal year 2013 due to scholarship allowance decreasing by \$210 thousand to create an increase in tuition of \$188 thousand and auxiliary revenue decreasing by \$124 thousand.

State sources increased by \$122 thousand due to receiving \$399 thousand in capital renewal funds, a decrease in equalization and CTE grants of \$127 thousand, a decrease in MAP and Illinois Veteran grant funds of \$46 thousand and a decrease in Adult Ed funds of \$4 thousand. Federal sources decreased from fiscal 2013 primarily due to decreased student financial aid which resulted from stricter guidelines. Property tax decreased due to an overall decrease in the counties EAV of 1%. Other income increased due to an increase in the states SURS on behalf payment. Expenses decreased \$810 thousand. This was due to a payment last year of \$600 thousand that was made to the Foundation for the closing of student housing and a recording of \$238 thousand in unrealized loss in 2013.

# Sauk Valley Community College District 506

## Management Discussion and Analysis

The following graphs depict revenues and expense for the years ended June 30, 2014 and 2013:



# **Sauk Valley Community College District 506**

## **Management Discussion and Analysis**

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### **Capital Assets**

At June 30, 2014, the College had approximately \$34,494 thousand invested in land, buildings, land improvements, and equipment. In addition, approximately \$12,974 thousand in depreciation has accumulated over the years, with approximately \$781 thousand being incurred in the current year. The College's net book value of capital assets at June 30, 2014 is approximately \$21,520 thousand.

Total additions for the year were approximately \$1,877 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, 2014, the College had approximately \$2,421 thousand in general long-term debt for Series 2010 bonds. Repayments of this debt, including interest, will be approximately \$1,446 thousand for fiscal year 2015.

The College's most recent Standard & Poor's bond rating (2010) was "AA-". State statutes limit the amount of debt that a school district may issue. The current debt limit for the College is approximately \$42.6 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 2015, the College is expecting a decrease in enrollment as the economy strengthens and the area population shrinks. Property tax revenue will increase approximately 2% due to the strong agriculture industry in the College district. The State of Illinois funding will be reduced approximately 12% from the previous year. The State continues to be slow in paying and the College is anticipating a \$500 thousand deferment in state payments at the end of FY2015.

In fiscal year 2015, 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.

### **Requests for Information**

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

Director of Business Services  
Sauk Valley Community College 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, 2014

	Primary Institution Business-Type Activities	Component Unit Foundation
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$1,788,138	\$177,868
Deposits	2,500,000	623,276
Short-term investments	11,440,776	0
Property taxes receivable	4,958,211	0
Other receivables	917,284	327,229
Prepaid expenses	414,086	0
Inventories	2,885	0
Total current assets	22,021,380	1,128,373
Noncurrent assets:		
Long-term investments	3,784,486	1,896,863
Capital assets	34,493,338	0
Less accumulated depreciation	(12,973,767)	0
Total noncurrent assets	25,304,057	1,896,863
Total assets	47,325,437	3,025,236
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	742,801	0
Accrued liabilities	256,842	0
Unearned tuition and fees	467,382	0
Accrued compensated absences	220,921	0
Bonds payable, net of unamortized premiums (discounts)	1,445,744	0
Total current liabilities	3,133,690	0
Noncurrent liabilities:		
Accrued compensated absences	110,460	0
Bonds payable, net of unamortized premiums (discounts)	975,000	0
Total noncurrent liabilities	1,085,460	0
Total liabilities	4,219,150	0
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable property taxes	3,356,250	0
Unavailable grant revenue	32,599	0
Total deferred inflows of resources	3,388,849	0
Total liabilities and deferred inflows of resources	7,607,999	0
<b>NET POSITION</b>		
Net investment in capital assets	19,098,827	0
Restricted for:		
Nonexpendable, scholarships		1,980,365
Expendable:		
Scholarships and grants	24,159	1,010,777
Capital projects	2,678,829	0
Debt service	1,003,412	0
Unrestricted	16,912,211	34,094
Total net position	\$39,717,438	\$3,025,236

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, 2014

	<u>Primary Institution</u> <u>Business-Type</u> <u>Activities</u>	<u>Component Unit</u> <u>Foundation</u>
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$2,367,663	\$3,031,247	\$0
Auxiliary enterprises revenue	161,010	0
Contributions	0	749,956
Other	0	18,975
<b>Total operating revenue</b>	<b>3,192,257</b>	<b>768,931</b>
Operating expenses:		
Instruction	5,095,739	0
Academic support	1,299,428	0
Student services	1,838,354	0
Public services	506,603	0
Auxiliary services	237,062	0
Operation and maintenance of plant	1,972,921	0
Institutional support	5,416,576	122,756
Scholarships, student grants, and waivers	3,871,953	183,340
Depreciation expense	781,014	0
<b>Total operating expenses</b>	<b>21,019,650</b>	<b>306,096</b>
<b>Operating income (loss)</b>	<b>(17,827,393)</b>	<b>462,835</b>
Nonoperating revenues (expenses):		
State grants	3,490,995	0
Federal grants	5,577,698	0
Property taxes	6,845,231	0
Personal property replacement tax	462,121	0
Local grants	0	0
Investment income	117,376	257,178
Other nonoperating revenues	3,122,327	0
Interest expense	(69,747)	0
<b>Net nonoperating revenues (expenses)</b>	<b>19,546,001</b>	<b>257,178</b>
<b>Change in net position</b>	<b>1,718,608</b>	<b>720,013</b>
Net position:		
<b>Beginning of year</b>	<b>37,998,830</b>	<b>2,305,223</b>
<b>End of year</b>	<b>\$39,717,438</b>	<b>\$3,025,236</b>

See Notes to Financial Statements.

# Sauk Valley Community College District 506

## Statement of Cash Flows

For the year ended June 30, 2014

	<u>Primary Institution</u> <u>Business-Type</u> <u>Activities</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Tuition and fees	\$5,212,045
Payments to suppliers	(2,523,832)
Payments to employees	(8,683,305)
Payments to students for scholarships	(8,607,279)
Auxiliary enterprise charges	155,343
Net cash used in operating activities	(14,447,028)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Proceeds from property taxes	6,974,082
Proceeds from grants	10,162,742
Net cash provided by noncapital financing activities	17,136,824
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchases of capital assets	(1,877,527)
Principal paid on bonds payable	(1,705,000)
Interest paid on bonds payable and other long-term obligations	(5,893)
Net cash used in capital and related financing activities	(3,588,420)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	123,265
Proceeds from maturities of investment securities	10,139,712
Purchases of investment securities	(9,405,939)
Net cash (used in) provided by investing activities	857,038
Net increase (decrease) in cash and cash equivalents	(41,586)
<b>CASH AND CASH EQUIVALENTS:</b>	
Beginning of year	1,829,724
End of year	\$1,788,138

See Notes to Financial Statements.

# Sauk Valley Community College District 506

## Statement of Cash Flows (Continued)

For the year ended June 30, 2014

	<u>Primary Institution</u> <u>Business-Type</u> <u>Activities</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED</b>	
<b>IN OPERATING ACTIVITIES:</b>	
Operating loss	(\$17,827,393)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	781,014
State on-behalf payments for fringe benefits	2,867,632
Changes in assets and liabilities:	
Inventory	1,508
Prepaid expenses	(136,438)
Receivables	444
Accounts payable	165,072
Accrued liabilities	(100,971)
Accrued compensated absences	(4,920)
Unearned tuition and fees	(187,309)
Other unearned revenue	(5,667)
<b>Net cash used in operating activities</b>	<b>(\$14,447,028)</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCIAL:</b>	
Increase (decrease) in fair value of investments and amortization/accretion	\$12,438
Purchase of equipment under capital leases	\$0
<b>STATE ON-BEHALF PAYMENTS</b>	<b>\$2,867,632</b>

See Notes to Financial Statements.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 1 Summary of Significant Accounting Policies

#### **Nature of entity**

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

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

#### **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

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

#### **Measurement focus, basis of accounting, and financial statement presentation**

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when 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 these is first permitted, matching requirements, in which the College must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

The following is a summary of the more significant policies:

#### **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 \$70,000 for uncollectible student tuition and fees. The College wrote off approximately \$31,000 of tuition and fees during the year ended June 30, 2014.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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

#### Property taxes

The College's property 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 2012 and 2013 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 1<sup>st</sup> and September 1<sup>st</sup>. 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

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

#### **Compensated absences**

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

#### **Other post-employment and related benefits**

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

#### **Deferred inflows of resources**

In addition to liabilities, the statement of net position will sometimes report a separate section, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) 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 Budget Revised Circular A-133 Audit of States, Local Governments and Non-Profit Organizations, and the 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 2014 and 2013, the state made contributions of \$2,867,632 and \$2,683,126, respectively (Note 5).

# Sauk Valley Community College District 506

## Notes to Financial Statements

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

#### 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.

### 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, 2014 consist of the following:

	<b>Carrying Amount</b>
Cash on hand	\$1,350
Deposits with financial institutions	4,286,788
<b>Total</b>	<b>\$4,288,138</b>

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



# Sauk Valley Community College District 506

## Notes to Financial Statements

### Note 2 Cash and Investments (continued)

*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, 2014, 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	\$7,885,380	\$7,885,380	\$0	\$0	\$0
Certificate of deposit	3,697,678	1,749,738	1,700,545	247,395	0
U.S. Government agency securities	3,642,204	1,805,658	0	0	1,836,546
<b>Total</b>	<b>\$15,225,262</b>	<b>\$11,440,776</b>	<b>\$1,700,545</b>	<b>\$247,395</b>	<b>\$1,836,546</b>

As of June 30, 2014, 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	\$7,885,380	\$0	\$0	\$0	\$7,885,380
Certificate of deposit	3,697,678	0	0	0	3,697,678
U.S. Government agency securities	3,642,204	0	3,642,204	0	0
<b>Total</b>	<b>\$15,225,262</b>	<b>\$0</b>	<b>\$3,642,204</b>	<b>\$0</b>	<b>\$11,583,058</b>

*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, 2014, the bank balances of the College's deposits were \$4,584,263. The College was not exposed to any custodial credit risk because the balances were insured and fully collateralized.

*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, 2014, 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.

# Sauk Valley Community College District 506

## Notes to Financial Statements

### Note 2 Cash and Investments (continued)

*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, 2014, is as follows:

	Balance June 30, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
Nondepreciable assets:					
Land	\$162,651	\$0	\$0	\$0	\$162,651
Construction in progress	629,471	1,012,180	0	(1,219,121)	422,530
	792,122	1,012,180	0	(1,219,121)	585,181
Depreciable assets:					
Land improvements	1,598,047	494,221	0	0	2,092,268
Buildings	24,048,789	67,409	0	1,219,121	25,335,319
Equipment	6,292,302	303,717	115,449	0	6,480,570
	31,939,138	865,347	115,449	1,219,121	33,908,157
Less accumulated depreciation:					
Land improvements	865,980	32,784	0	0	898,764
Buildings	5,959,229	483,120	0	0	6,442,349
Equipment	5,482,993	265,110	115,449	0	5,632,654
	12,308,202	781,014	115,449	0	12,973,767
Depreciable assets, net	19,630,936	84,333	0	1,219,121	20,934,390
Capital assets, net	\$20,423,058	\$1,096,513	\$0	\$0	\$21,519,571

### 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 following is a summary of the long-term debt activity for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014	Due Within One Year
Long-term debt:					
General obligation 2010B bonds	\$4,090,000	\$0	\$1,705,000	\$2,385,000	\$1,410,000
Bond premiums (discounts)	71,489	0	35,745	35,744	35,744
Compensated absences	336,301	148,179	153,099	331,381	220,921
Totals	\$4,497,790	\$148,179	\$1,893,844	\$2,752,125	\$1,666,665

# Sauk Valley Community College District 506

## Notes to Financial Statements

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

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

Series 2010 Nontaxable Fiscal year ending June 30,	Principal	Interest	Total
2015	\$1,410,000	\$71,550	\$1,481,550
2016	975,000	29,250	1,004,250
Total nontaxable debt maturities	\$2,385,000	\$100,800	\$2,485,800

The following is a schedule of the legal debt margin of the College as of June 30, 2014:

Assessed valuation – 2013 levy	\$1,565,037,034
Debt limit – 2.875% of assessed valuation	44,994,815
Less indebtedness	(2,385,000)
Legal debt margin, June 30, 2014	\$42,609,815

### Note 5 Retirement Commitments – State University Retirement System

*Plan Description.* The College contributes to the State Universities Retirement system of Illinois (SURS), a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at [www.SURS.org](http://www.SURS.org), or calling 1-800-275-7877.

*Funding Policy.* Plan members are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate (for FY 2015) is 35.80% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contributions to SURS for the years ended June 30, 2014, 2013 and 2012, were \$2,893,816, \$2,710,017, and \$1,837,979, respectively, equal to the required contributions for each year.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### 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 2014, the College paid approximately \$175,000 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 \$65,000 of covered medical expenses for each insured employee and covered family member. Any claims exceeding \$65,000 up to \$1,935,000 per individual are covered by a stop-loss policy purchased from the plan administrator. Claims exceeding \$1,935,000 are covered by an aggregate stop-loss policy. The College has accrued a liability of \$165,000, \$77,214, and \$47,244 as of June 30, 2014, 2013, and 2012, respectively, for claims incurred and reported as well as an estimate of claims incurred but not reported.

	2014	2013	2012
Balance, July 1	\$77,214	\$47,244	\$36,727
Claims incurred	1,468,808	1,539,228	1,682,530
Claims paid	(1,381,022)	(1,509,258)	(1,672,013)
Balance, June 30	\$165,000	\$77,214	\$47,244

### Note 7 Accounting Changes:

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement 65 *Items Previously Reported as Assets and Liabilities*, which is effective for financial statements for periods beginning after December 15, 2012. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The College has implemented this statement retrospectively in the year ended June 30, 2014.

### Note 8 New Reporting Standards:

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No 27". The College is required to implement this standard for the fiscal year ending June 30, 2015. The College has not yet determined the full impact that adoption of GASB Statement 68 will have on the financial statements.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 8 New Reporting Standards (continued):

In November 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68". The College is required to implement this standard for the fiscal year ending June 30, 2015. The College has not yet determined the full impact that adoption of GASB Statement 71 will have on the financial statements.

### Note 9 Component Unit

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

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

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

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

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

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

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

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time. At June 30, 2014, temporarily restricted net assets are primarily available for student scholarships. The Board of Directors has approved the disbursement of approximately \$101,000 for scholarships for fiscal year ending June 30, 2015.

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

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

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 9 Component Unit (continued)

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

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

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

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

Bequests receivable: Bequests receivable are recorded when the Foundation receives notification of the gift and the probate court declares the will valid. Any potential allowance is estimated based on the facts and circumstances of the gift. At June 30, 2014, no allowance for uncollectible amounts was determined to be necessary.

Investments: Investments in debt and equity securities are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated investments are recorded at fair value at the date of donation. Investment income or loss is included in the statement of revenues, expenses, and changes in net position as an increase or decrease in unrestricted net assets unless the income or loss is restricted by donor or law.

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

Event related income is recognized when received, generally when the event is held.

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

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

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 9 Component Unit (continued)

Tax positions are not offset or aggregated with other positions. Tax positions that meet the “more likely than not” recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits 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, 2011.

Subsequent events: Management of the Foundation has evaluated subsequent events through October 1, 2014, which is the date the financial statements were available to be issued, for possible measurement and/or disclosures effects on the financial statements.

### **Endowment Funds**

The Foundation’s endowment consists of 42 individual funds established in perpetuity with earnings to be used for a variety of purposes, primarily scholarships. Its endowments consist for donor-restricted endowment funds to be maintained permanently.

The Foundation follows the laws prescribed by the Uniform Prudent Management and 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 standard of prudence prescribed in UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

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

# Sauk Valley Community College District 506

## Notes to Financial Statements

### Note 9 Component Unit (continued)

The Foundation's endowment net asset composition by type of fund is as follows for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$0	\$617,049	\$1,980,365	\$2,597,414

The changes in endowment net assets for the Foundation were as follows for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$0	\$409,072	\$1,546,355	\$1,955,427
Investment return:				
Interest income	0	33,140	0	33,140
Net appreciation (realized and unrealized)	0	216,566	0	216,566
Total investment return	0	249,706	0	249,706
Contributions	0	6,000	434,010	440,010
Appropriation of endowment assets for expenditure	0	(47,729)	0	(47,729)
Endowment net assets, end of year	\$0	\$617,049	\$1,980,365	\$2,597,414

### *Funds with Deficiencies*

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. The Foundation had no individual donor-restricted endowment fund deficiencies at June 30, 2014.

### *Return Objectives and Risk Parameters*

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



# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 9 Component Unit (continued)

#### *Strategies Employed for Achieving Objectives*

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

#### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

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

### **Related Party Transactions**

The College provides office space and support services for the Foundation. The estimated fair value of such in-kind benefits to the Foundation was approximately \$64,100 for the year ended June 30, 2014 and is recognized as both a revenue and expense in the statement of revenues, expenses, and changes in net position.

### **Investments and Fair Value Measurements**

The Foundation's investment securities consist of the following at June 30, 2014:

	<b>Investment Strategy</b>	<b>Amount</b>
Pooled investments – equity securities	Multi-strategy – global diversified	\$1,195,740
Pooled investments – fixed income securities	Multi-strategy – global diversified	701,123
		<b>\$1,896,863</b>

Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

The Foundation's assets and liabilities that are carried at fair value in the statement of net position are required to be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets and liabilities.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### Note 9 Component Unit (continued)

The following is a description of the valuation methodologies used for the Foundation's assets measured at fair value:

#### *Pooled Investments – Equities and Fixed Income Securities*

As a practical expedient, the Foundation uses the reported net asset value (NAV) of the investments in pooled investment funds to determine fair value. Redemption from the pooled investment funds are permitted monthly, with 5 business days' notice. There are no outstanding commitments to purchase additional investments in the funds.

The pooled investment funds, with a balance of \$1,896,863 at June 30, 2014, are considered to be Level 2 within the fair value hierarchy.

#### **Pending Accounting Pronouncements**

ASU 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate*. The amendments of ASU 2013-06 require the recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The amendments in this ASU are effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. A recipient not-for-profit entity may apply the amendments using a modified retrospective approach under which all prior periods presented upon the date of adoption should be adjusted, but no adjustment should be made to the beginning balance of net assets of the earliest period presented. Early adoption is permitted.

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces most existing revenue recognition guidance, including industry-specific guidance, in current U.S. GAAP. The ASU is effective for the Foundation for annual reporting periods beginning after December 15, 2017 using either a retrospective method or a modified retrospective method.

Management of the Foundation is currently evaluating the effect that the above guidance will have on the Foundation's financial statements.

### Note 10 Subsequent Event

On September 16, 2014, the College issued \$4,010,000 Debt Certificates, Series 2014 to be used for capital projects. The College has evaluated subsequent events through October 14, 2014 which is the date these financial statement were available to be issued. All subsequent events requiring recognition as of June 30, 2014 have been incorporated herein. There are no other subsequent events that require disclosure.

# Sauk Valley Community College District 506

## Notes to Financial Statements

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### **Note 11**   Contingencies and Commitments

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

On April 28, 2014, the Sauk Valley College Board of Trustees' motioned approval for the College to transfer \$1,952,033 of unrestricted challenge grant proceeds back to the Sauk Valley College Foundation during fiscal year 2015.

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## **Supplemental Financial Information**

# **Sauk Valley Community College District 506**

## **Supplemental Financial Information Section**

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### **Uniform Financial Statements**

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

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# Sauk Valley Community College District 506

## Uniform Financial Statement #1

### All Funds Summary

For the year ended June 30, 2014

	Education Fund **	Operations and Maintenance Fund **	Operations and Maintenance Fund (Restricted)
Fund balance (deficit) at July 1, 2013	\$6,817,545	\$113	\$3,566,364
Revenue:			
Local taxes	4,262,623	522,734	747,706
All other local government	0	0	0
ICCB grants	2,194,209	256,408	398,736
All other state revenue	0	0	0
Federal revenue	7,154	0	0
Student tuition and fees	4,575,776	500,283	0
All other revenue	149,535	22,831	27,617
Total revenue	11,189,297	1,302,256	1,174,059
Expenditures:			
Instruction	4,726,865	0	53,653
Academic support	1,229,679	0	59,663
Student services	1,467,155	0	0
Public service	201,096	0	0
Auxiliary services**	0	0	0
Operation and maintenance**	0	1,512,830	24,972
Institutional support**	2,288,561	0	87,844
Scholarships, student grants, and waivers	927,038	0	0
Principal retirement	0	0	0
Interest	0	0	0
Building construction, building improvements, and equipment	0	0	1,835,462
Total expenditures	10,840,394	1,512,830	2,061,594
Transfers in	1,248,202	215,000	0
Transfers out	(205,000)	0	0
	1,043,202	215,000	0
Fund balance (deficit) at June 30, 2014	\$8,209,650	\$4,539	\$2,678,829

\*\* 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
\$1,058,555	\$1,556,052	\$1,232,099	\$2,497,014	(\$32,082)	\$4,970,112	\$21,665,772
1,667,720	0	0	0	73,699	32,870	7,307,352
0	0	0	0	0	0	0
0	0	641,642	0	0	0	3,490,995
0	0	0	0	0	0	0
0	0	5,570,544	0	0	0	5,577,698
0	235,359	0	0	0	0	5,311,418
811	2,241,589	120,168	1,482	8	86,062	2,650,103
1,668,531	2,476,948	6,332,354	1,482	73,707	118,932	24,337,566
0	0	250,496	0	0	0	5,031,014
0	0	10,086	0	0	0	1,299,428
0	0	371,198	0	0	0	1,838,353
0	0	305,507	0	0	0	506,603
0	2,306,240	0	0	0	2,555	2,308,795
0	0	0	0	0	225,895	1,763,697
14,483	0	162	0	69,150	338,939	2,799,139
0	0	5,312,578	0	0	0	6,239,616
1,705,000	0	0	0	0	0	1,705,000
4,191	0	0	0	0	0	4,191
0	0	42,065	0	0	0	1,877,527
1,723,674	2,306,240	6,292,092	0	69,150	567,389	25,373,363
0	0	0	0	0	0	1,463,202
0	(10,000)	(1,248,202)	0	0	0	(1,463,202)
0	(10,000)	(1,248,202)	0	0	0	0
\$1,003,412	\$1,716,760	\$24,159	\$2,498,496	(\$27,525)	\$4,521,655	\$20,629,975

# Sauk Valley Community College District 506

## Uniform Financial Statement #2

### Summary of Fixed Assets and Debt \*

For the year ended June 30, 2014

	Fixed Assets/ Debt Account Groups July 1, 2013	Additions	Deletions	Reclassification	Fixed Assets/ Debt Account Groups June 30, 2014
Fixed assets:					
Sites and improvements	\$1,760,698	\$494,221	\$0	\$0	\$2,254,919
Buildings, additions and improvements	24,048,789	67,409	0	1,219,121	25,335,319
Equipment	6,292,302	303,717	115,449	0	6,480,570
Construction in process	629,471	1,012,180	0	(1,219,121)	422,530
<b>Total fixed assets</b>	<b>32,731,260</b>	<b>1,877,527</b>	<b>115,449</b>	<b>0</b>	<b>34,493,338</b>
Accumulated depreciation	12,308,202	781,014	115,449	0	12,973,767
<b>Total net fixed assets</b>	<b>\$20,423,058</b>	<b>\$1,096,513</b>	<b>\$0</b>	<b>\$0</b>	<b>\$21,519,571</b>
Fixed debts:					
Bonds payable	\$4,090,000	\$0	\$1,705,000	\$0	\$2,385,000
Bond premium	71,489	0	35,745	0	35,744
Other fixed liabilities	336,301	148,179	153,099	0	331,381
<b>Total fixed debts</b>	<b>\$4,497,790</b>	<b>\$148,179</b>	<b>\$1,893,844</b>	<b>\$0</b>	<b>\$2,752,125</b>

\* Sauk Valley Community College had no tax anticipation warrants or tax anticipation notes outstanding during the year ended June 30, 2014.

# Sauk Valley Community College District 506

## Uniform Financial Statement #3

### Operating Funds Revenues and Expenditures

For the year ended June 30, 2014

	Education Fund *	Operations and Maintenance Fund	Total Operating Funds
Operating revenues by source:			
Local government:			
Local taxes	\$3,851,335	\$471,901	\$4,323,236
Corporate personal property replacement tax	411,288	50,833	462,121
Tuition chargeback revenue	0	0	0
<b>Total local government</b>	<b>4,262,623</b>	<b>522,734</b>	<b>4,785,357</b>
State government:			
ICCB base operating grant	1,215,732	150,259	1,365,991
ICCB equalization grant	814,340	100,649	914,989
ICCB career and technical education	119,637	0	119,637
Other state sources **	44,500	5,500	50,000
<b>Total state government</b>	<b>2,194,209</b>	<b>256,408</b>	<b>2,450,617</b>
Federal government:			
Department of Education	5,315	0	5,315
Other federal sources	1,839	0	1,839
<b>Total federal government</b>	<b>7,154</b>	<b>0</b>	<b>7,154</b>
Student tuition and fees:			
Tuition	4,075,381	500,283	4,575,664
Fees	500,395	0	500,395
<b>Total tuition and fees</b>	<b>4,575,776</b>	<b>500,283</b>	<b>5,076,059</b>
Other sources:			
Sales and service fees	122,184	0	122,184
Facilities revenue	0	4,850	4,850
Interest	12,896	94	12,990
Other	14,455	17,887	32,342
<b>Total other sources</b>	<b>149,535</b>	<b>22,831</b>	<b>172,366</b>
<b>Total revenue</b>	<b>11,189,297</b>	<b>1,302,256</b>	<b>12,491,553</b>
Less nonoperating items *			
Tuition chargeback revenue	0	0	0
<b>Adjusted revenue</b>	<b>\$11,189,297</b>	<b>\$1,302,256</b>	<b>\$12,491,553</b>

\* 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, 2014

	Education Fund *	Operations and Maintenance Fund	Total Operating Funds
Operating expenditures:			
By program:			
Instruction	\$4,726,865	\$0	\$4,726,865
Academic support	1,229,679	0	1,229,679
Student services	1,467,155	0	1,467,155
Public services	201,096	0	201,096
Operation and maintenance of plant**	0	1,512,830	1,512,830
Institutional support **	2,288,561	0	2,288,561
Scholarships, student grants, and waivers	927,038	0	927,038
<b>Total expenditures</b>	<b>10,840,394</b>	<b>1,512,830</b>	<b>12,353,224</b>
Less nonoperating items *			
Tuition chargeback	0	0	0
<b>Adjusted expenditures</b>	<b>\$10,840,394</b>	<b>\$1,512,830</b>	<b>\$12,353,224</b>
By object:			
Salaries	\$6,977,327	\$571,891	\$7,549,218
Employee benefits **	1,541,965	203,923	1,745,888
Contractual services	708,690	74,141	782,831
General materials and supplies	580,880	86,005	666,885
Conference and meeting expense	129,186	994	130,180
Fixed charges	1,537	55,691	57,228
Utilities	0	520,185	520,185
Capital outlay	0	0	0
Other	900,809	0	900,809
<b>Total expenditures</b>	<b>10,840,394</b>	<b>1,512,830</b>	<b>12,353,224</b>
Less nonoperating items *			
Tuition chargeback	0	0	0
<b>Adjusted expenditures</b>	<b>\$10,840,394</b>	<b>\$1,512,830</b>	<b>\$12,353,224</b>

\* 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, 2014

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Revenue by source:

State government:

ICCB:

State Adult Education Restricted Funds Grants	\$129,064
CTE Program Improvement	18,691
Illinois Veterans' Grant	89,591
ISAC - Monetary Award Grants	364,961
Other	39,335

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Total state government 641,642

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Federal government:

Department of Veteran Affairs:

Post 9/11 Veteran's Educational Assistance 75,104

Department of Education:

College Work Study Grants 168,387

Pell Grants 3,306,286

Supplemental Educational Opportunity Grant 68,853

Direct Loans 1,194,972

Federal Adult Basic 68,153

Trio - Student Support Services 269,825

Perkins Postsecondary 145,913

CTE Career Exploration 1,653

CTE Programs of Study 13,463

Improving Teacher Quality State Grants 4,723

Corporation for National and Community Service:

AmeriCorps 249,146

Institute of Museum and Library Services:

Grants to States - Library Services and Technology Grant 4,066

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Total federal government 5,570,544

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**Sauk Valley Community College District 506**  
**Uniform Financial Statement #4**  
**Restricted Purposes Fund Revenues and Expenditures (Continued)**  
For the year ended June 30, 2014

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Revenue by source (continued):

Other sources	120,168
<hr/>	
Total restricted purposes fund revenues	\$6,332,354
<hr/>	

Expenditures by program:

Instruction	\$269,187
Academic support	10,086
Student services	394,572
Public services	305,507
Operations and maintenance	0
Institutional support	162
Scholarships, student grants, and waivers	5,312,578
<hr/>	
Total restricted purposes fund expenditures by program	\$6,292,092
<hr/>	

Expenditures by object:

Salaries	\$804,143
Employee benefits	99,120
Contractual services	48,988
General materials and supplies	89,139
Travel, conference and meeting expense	42,700
Fixed charges	0
Utilities	0
Capital outlay	42,064
Other	5,165,938
<hr/>	
Total restricted purposes fund expenditures by object	\$6,292,092
<hr/>	

# Sauk Valley Community College District 506

## Uniform Financial Statement #5

### Current Funds\* - Expenditures by Activity

For the year ended June 30, 2014

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Instruction:	
Instructional programs	\$4,939,338
Other	56,714
<b>Total instructional</b>	<b>4,996,052</b>
Academic support:	
Library	247,607
Instructional materials center	54
Academic computing support	403,477
Academic administration and planning	462,823
Other academic support	125,804
<b>Total academic support</b>	<b>1,239,765</b>
Student services:	
Admissions and records	208,205
Counseling and career guidance	848,462
Financial aid administration	286,504
Other student services	518,556
<b>Total student services</b>	<b>1,861,727</b>
Public service/continuing education:	
Community education	201,096
Community services	258,054
Other public service	47,453
<b>Total public service/continuing education</b>	<b>506,603</b>
<b>Auxiliary services **</b>	<b>2,308,795</b>
Operations and maintenance of plant:	
Maintenance	277,965
Custodial	425,394
Grounds	128,623
Campus Security	225,895
Plant utilities	520,185
Administration	160,663
Other operations and maintenance **	0
<b>Total operations and maintenance of plant</b>	<b>1,738,725</b>

\* 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, 2014

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Institutional support:	
Executive management	472,930
Fiscal operations **	463,471
Community relations	302,029
Administrative support services	239,017
Board of trustees	65,451
General institution **	448,753
Institutional research	119,119
Administrative data processing	584,635
Other institutional support	1,407
<u>Total institutional support</u>	<u>2,696,812</u>
<u>Scholarships, student grants, and waivers</u>	<u>6,239,616</u>
<u>Total current funds expenditures</u>	<u>\$21,588,095</u>

\* 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 2015

All fiscal year 2014 noncapital audited operating expenditures from the following funds:	
1 Education Fund	\$10,840,394
2 Operations and Maintenance Fund	1,512,830
3 Bond and Interest Fund	1,723,674
4 Restricted Purposes Fund	6,250,027
5 Audit Fund	69,150
6 Liability, Protection, and Settlement Fund	<u>567,389</u>
7 Total noncapital expenditures (sum of lines 1-6)	<u>\$20,963,464</u>
8 Depreciation on capital outlay expenditures (equipment, buildings, and fixed equipment paid) from sources other than state and federal funds	<u>\$767,914</u>
9 Total costs included (line 7 plus line 8)	<u>\$21,731,378</u>
10 Total certified semester credit hours for FY 2014	<u>45,249</u>
11 Per capita cost (line 9 divided by line 10)	\$480.26
12 All FY 2014 state and federal operating grants for noncapital expenditures, except ICCB grants	<u>\$6,231,294</u>
13 FY 2013 state and federal grants per semester credit hour (line 12 divided by line 10)	137.71
14 District's average ICCB grant rate (excluding equalization grants) for FY 2015	26.99
15 District's student tuition and fee rate per semester credit hour for FY 2015	<u>107.00</u>
16 Chargeback reimbursement per semester credit hour (line 11 less lines 13, 14, and 15)	<u>\$208.56</u>

Approved: Melissa M. De...  
Chief Financial Officer

10/14/14  
Date

George M. ...  
President

10-14-14  
Date

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## **Other Supplemental Financial Information**

# Sauk Valley Community College District 506

## Balance Sheet - All Fund Types

June 30, 2014

<b>ASSETS</b>	<b>Education</b>	<b>Operations and Maintenance</b>	<b>Operations and Maintenance Restricted</b>
Cash and cash equivalents	\$6,174	\$3,240	\$757,489
Deposits	0	0	100,000
Investments	7,593,026	338,605	1,524,241
Receivables:			
Property taxes	2,832,153	346,727	577,878
Government claims and grants	541,096	66,877	0
Other	156,585	0	4,400
Advances to other funds	0	0	490,000
Prepaid items	113,681	40,139	0
Inventories	0	0	0
Property and equipment, net	0	0	0
<b>Total assets</b>	<b>\$11,242,715</b>	<b>\$795,588</b>	<b>\$3,454,008</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$69,138	\$65,318	\$372,489
Accrued liabilities	493,762	28,886	11,431
Advances from other funds	350,000	225,000	0
Unearned tuition and fees	202,995	237,089	0
Accrued compensated absences	0	0	0
Bonds payable, net of unamortized premiums (discounts)	0	0	0
<b>Total liabilities</b>	<b>1,115,895</b>	<b>556,293</b>	<b>383,920</b>
Deferred inflows of resources:			
Unavailable property taxes	1,917,170	234,756	391,259
Unavailable grant revenue	0	0	0
<b>Total deferred inflows</b>	<b>1,917,170</b>	<b>234,756</b>	<b>391,259</b>
Fund balance (deficit):			
Net investment in capital assets	0	0	0
Restricted	0	0	2,678,829
Unrestricted	8,209,650	4,539	0
<b>Total fund balance (deficit)</b>	<b>8,209,650</b>	<b>4,539</b>	<b>2,678,829</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$11,242,715</b>	<b>\$795,588</b>	<b>\$3,454,008</b>

Bond and Interest	Auxiliary Enterprises Fund	Restricted Purpose	Working Cash Fund	Trust and Agency Fund	Audit	Liability, Protection, and Settlement Fund
\$647,830	\$171,787	\$59,687	\$98,009	\$42,539	\$789	\$594
0	0	0	2,400,000	0	0	0
0	0	0	0	0	0	5,769,390
1,099,669	0	0	0	0	53,182	48,602
0	0	120,921	0	0	0	0
116	3,273	0	487	0	0	23,529
0	1,738,850	0	0	0	0	0
0	77,300	205,385	0	0	0	46,625
0	2,885	0	0	0	0	0
0	0	0	0	0	0	0
<b>\$1,747,615</b>	<b>\$1,994,095</b>	<b>\$385,993</b>	<b>\$2,498,496</b>	<b>\$42,539</b>	<b>\$53,971</b>	<b>\$5,888,740</b>

\$0	\$170,508	\$10,659	\$0	\$42,539	\$3,500	\$8,650
0	656	18,107	0	0	0	5,569
0	0	291,850	0	0	42,000	1,320,000
0	106,171	8,619	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	277,335	329,235	0	42,539	45,500	1,334,219
744,203	0	0	0	0	35,996	32,866
0	0	32,599	0	0	0	0
744,203	0	32,599	0	0	35,996	32,866
0	0	0	0	0	0	0
1,003,412	0	24,159	0	0	0	0
0	1,716,760	0	2,498,496	0	(27,525)	4,521,655
1,003,412	1,716,760	24,159	2,498,496	0	(27,525)	4,521,655
<b>\$1,747,615</b>	<b>\$1,994,095</b>	<b>\$385,993</b>	<b>\$2,498,496</b>	<b>\$42,539</b>	<b>\$53,971</b>	<b>\$5,888,740</b>

# Sauk Valley Community College District 506

## Balance Sheet - All Fund Types - (Continued)

June 30, 2014

ASSETS	Fund Totals	GASB			Adjusted Totals
		General Fixed Assets Account	General Long Term Debt Account	Other Adjustments	
Cash and cash equivalents	\$1,788,138	\$0	\$0	\$0	\$1,788,138
Deposits	2,500,000	0	0	0	2,500,000
Investments	15,225,262	0	0	0	15,225,262
Receivables:					
Property taxes	4,958,211	0	0	0	4,958,211
Government claims and grants	728,894	0	0	0	728,894
Other	188,390	0	0	0	188,390
Advances to other funds	2,228,850	0	0	(2,228,850)	0
Prepaid items	483,130	0	0	(69,044)	414,086
Inventories	2,885	0	0	0	2,885
Property and equipment, net	0	21,519,571	0	0	21,519,571
<b>Total assets</b>	<b>\$28,103,760</b>	<b>\$21,519,571</b>	<b>\$0</b>	<b>(\$2,297,894)</b>	<b>\$47,325,437</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>					
Liabilities:					
Accounts payable	\$742,801	\$0	\$0	\$0	\$742,801
Accrued liabilities	558,411	0	29,812	(331,381)	256,842
Advances from other funds	2,228,850	0	0	(2,228,850)	0
Unearned tuition and fees	554,874	0	0	(87,492)	467,382
Accrued compensated absences	0	0	0	331,381	331,381
Bonds payable, net of unamortized premiums (discounts)	0	0	2,420,744	0	2,420,744
<b>Total liabilities</b>	<b>4,084,936</b>	<b>0</b>	<b>2,450,556</b>	<b>(2,316,342)</b>	<b>4,219,150</b>
Deferred inflows of resources:					
Unavailable property taxes	3,356,250	0	0	0	3,356,250
Unavailable grant revenue	32,599	0	0	0	32,599
<b>Total deferred inflows</b>	<b>3,388,849</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,388,849</b>
Fund balance (deficit):					
Net investment in capital assets	0	21,519,571	(2,420,744)	0	19,098,827
Restricted	3,706,400	0	0	0	3,706,400
Unrestricted	16,923,575	0	(29,812)	18,448	16,912,211
<b>Total fund balance (deficit)</b>	<b>20,629,975</b>	<b>21,519,571</b>	<b>(2,450,556)</b>	<b>18,448</b>	<b>39,717,438</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$28,103,760</b>	<b>\$21,519,571</b>	<b>\$0</b>	<b>(\$2,297,894)</b>	<b>\$47,325,437</b>

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**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, 2014

	Education	Operations and Maintenance	Operations and Maintenance Restricted
Revenues:			
Local government	\$4,262,623	\$522,734	\$747,706
State government	2,194,209	256,408	398,736
State of Illinois SURS on-behalf payments	2,543,635	208,488	0
Federal government	7,154	0	0
Student tuition and fees	4,575,776	500,283	0
Sales and service fees	122,184	0	0
Interest	13,314	94	11,769
Net increase (decrease) in fair value of investments	(418)	0	2,944
Other	14,455	22,737	12,904
<b>Total revenues</b>	<b>13,732,932</b>	<b>1,510,744</b>	<b>1,174,059</b>
Expenditures/expenses:			
Current:			
Instruction	4,726,865	0	166,761
Academic support	1,229,679	0	59,663
Student services	1,467,155	0	787
Public services	201,096	0	0
Auxiliary services	0	0	0
Operation and maintenance of plant	0	1,721,318	555,458
Institutional support	4,832,196	0	1,278,925
Scholarships, student grants, and waivers	927,038	0	0
Depreciation expense	0	0	0
Debt service:			
Principal retirement	0	0	0
Interest	0	0	0
<b>Total expenditures/expenses</b>	<b>13,384,029</b>	<b>1,721,318</b>	<b>2,061,594</b>
Excess (deficiency) of revenues over expenditures/expenses	348,903	(210,574)	(887,535)
Other financing sources (uses):			
Transfers in	1,248,202	215,000	0
Transfers out	(205,000)	0	0
<b>Total other financing sources (uses)</b>	<b>1,043,202</b>	<b>215,000</b>	<b>0</b>
Net change in fund balance	1,392,105	4,426	(887,535)
Fund balance at beginning of year	6,817,545	113	3,566,364
<b>Fund balance at end of year</b>	<b>\$8,209,650</b>	<b>\$4,539</b>	<b>\$2,678,829</b>



Bond and Interest	Auxiliary Enterprises Fund	Restricted Purpose	Working Cash Fund	Trust and Agency Fund	Audit	Liability, Protection, and Settlement Fund
\$1,667,720	\$0	\$0	\$0	\$0	\$73,699	\$32,870
0	0	641,642	0	0	0	0
0	45,289	0	0	0	0	70,220
0	0	5,570,544	0	0	0	0
0	235,359	0	0	0	0	0
0	38,826	0	0	0	0	0
811	1,310	0	1,482	0	8	101,005
0	0	0	0	0	0	(14,943)
0	2,201,453	120,168	0	0	0	0
1,668,531	2,522,237	6,332,354	1,482	0	73,707	189,152
0	0	269,187	0	0	0	0
0	0	10,086	0	0	0	0
0	0	394,572	0	0	0	0
0	0	305,507	0	0	0	0
0	2,351,529	0	0	0	0	2,555
0	0	0	0	0	0	225,895
14,483	0	162	0	0	69,150	409,159
0	0	5,312,578	0	0	0	0
0	0	0	0	0	0	0
1,705,000	0	0	0	0	0	0
4,191	0	0	0	0	0	0
1,723,674	2,351,529	6,292,092	0	0	69,150	637,609
(55,143)	170,708	40,262	1,482	0	4,557	(448,457)
0	0	0	0	0	0	0
0	(10,000)	(1,248,202)	0	0	0	0
0	(10,000)	(1,248,202)	0	0	0	0
(55,143)	160,708	(1,207,940)	1,482	0	4,557	(448,457)
1,058,555	1,556,052	1,232,099	2,497,014	0	(32,082)	4,970,112
\$1,003,412	\$1,716,760	\$24,159	\$2,498,496	\$0	(\$27,525)	\$4,521,655

**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, 2014

	Fund Totals	GASB			Adjusted Totals
		General Fixed Assets Account	General Long-Term Debt Account	Other Adjustments	
<b>Revenues:</b>					
Local government	\$7,307,352	\$0	\$0	\$0	\$7,307,352
State government	3,490,995	0	0	0	3,490,995
State of Illinois SURS on-behalf payments	2,867,632	0	0	(2,867,632)	0
Federal government	5,577,698	0	0	0	5,577,698
Student tuition and fees	5,311,418	0	0	(2,280,171)	3,031,247
Sales and service fees	161,010	0	0	0	161,010
Interest	129,793	0	0	0	129,793
Net increase (decrease) in fair value of investments	(12,417)	0	0	0	(12,417)
Other	2,371,717	0	0	750,610	3,122,327
<b>Total revenues</b>	<b>27,205,198</b>	<b>0</b>	<b>0</b>	<b>(4,397,193)</b>	<b>22,808,005</b>
<b>Expenditures/expenses:</b>					
<b>Current:</b>					
Instruction	5,162,813	(136,118)	0	69,044	5,095,739
Academic support	1,299,428	0	0	0	1,299,428
Student services	1,862,514	(24,160)	0	0	1,838,354
Public services	506,603	0	0	0	506,603
Auxiliary services	2,354,084	0	0	(2,117,022)	237,062
Operation and maintenance of plant	2,502,671	(529,750)	0	0	1,972,921
Institutional support	6,604,075	(1,187,499)	0	0	5,416,576
Scholarships, student grants, and waivers	6,239,616	0	0	(2,367,663)	3,871,953
Depreciation expense	0	781,014	0	0	781,014
<b>Debt service:</b>					
Principal retirement	1,705,000	0	(1,705,000)	0	0
Interest	4,191	0	65,556	0	69,747
<b>Total expenditures/expenses</b>	<b>28,240,995</b>	<b>(1,096,513)</b>	<b>(1,639,444)</b>	<b>(4,415,641)</b>	<b>21,089,397</b>
<b>Excess (deficiency) of revenues over expenditures/expenses</b>	<b>(1,035,797)</b>	<b>1,096,513</b>	<b>1,639,444</b>	<b>18,448</b>	<b>1,718,608</b>
<b>Other financing sources (uses):</b>					
Transfers in	1,463,202	0	0	0	1,463,202
Transfers out	(1,463,202)	0	0	0	(1,463,202)
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in fund balance</b>	<b>(1,035,797)</b>	<b>1,096,513</b>	<b>1,639,444</b>	<b>18,448</b>	<b>1,718,608</b>
<b>Fund balance at beginning of year</b>	<b>21,665,772</b>	<b>20,423,058</b>	<b>(4,090,000)</b>	<b>0</b>	<b>37,998,830</b>
<b>Fund balance at end of year</b>	<b>\$20,629,975</b>	<b>\$21,519,571</b>	<b>(\$2,450,556)</b>	<b>\$18,448</b>	<b>\$39,717,438</b>

# Sauk Valley Community College District 506

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

Levy Years 2013 and 2012

	2013	2012
<b>Assessed Valuations:</b>		
Bureau County	\$88,129,868	\$85,146,777
Carroll County	78,479,598	77,181,826
Henry County	3,069,318	2,829,179
Lee County	569,818,821	581,301,001
Ogle County	111,252,856	113,604,031
Whiteside County	714,286,573	723,934,887
<b>Total assessed valuations</b>	<b>\$1,565,037,034</b>	<b>\$1,583,997,701</b>
<b>Tax Rate (per \$100 assessed valuation):</b>		
Bond and Interest Fund	0.0952	0.1149
Audit Fund	0.0046	0.0045
Liability, Protection, and Settlement	0.0000	0.0000
Social Security	0.0042	0.0000
Operations and Maintenance Accounts	0.0300	0.0300
Operations and Maintenance Accounts - Restricted	0.0500	0.0474
Educational Accounts	0.2450	0.2450
<b>Total tax rate</b>	<b>0.4290</b>	<b>0.4418</b>
<b>Tax Extensions:</b>		
Bond and Interest Fund	\$1,489,915	\$1,820,013
Audit Fund	71,992	71,280
Liability, Protection, and Settlement	0	0
Social Security	65,732	0
Operations and Maintenance Accounts	469,511	475,199
Operations and Maintenance Accounts - Restricted	782,519	750,815
Educational Accounts	3,834,340	3,880,795
<b>Total tax extensions</b>	<b>\$6,714,009</b>	<b>\$6,998,102</b>
<b>Tax Collections to June 30:</b>		
Bond and Interest Fund	\$388,737	\$1,817,202
Audit Fund	18,810	70,176
Liability, Protection, and Settlement	0	0
Social Security	17,129	0
Operations and Maintenance Accounts	122,784	474,745
Operations and Maintenance Accounts - Restricted	204,640	752,447
Educational Accounts	1,002,188	3,874,564
<b>Total tax collections</b>	<b>\$1,754,288</b>	<b>\$6,989,134</b>
<b>Percent of extensions collected</b>	<b>26.13%</b>	<b>99.87%</b>

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## **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 AND CAREER AND TECHNICAL EDUCATION-PROGRAM IMPROVEMENT GRANT**

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 and Career and Technical Education-Program Improvement Grants of Sauk Valley Community College District 506 (the College) as of and for the year ended June 30, 2014, 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.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Adult Education and Family Literacy and Career and Technical Education-Program Improvement Grants of Sauk Valley Community College District 506 (the College) as of June 30, 2014, and the changes in financial position thereof and for the year ended in accordance with accounting principles generally accepted in the United States of America.

**Compliance**

In connection with our audit, nothing came to our attention that caused us to believe that 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 and Career and Technical Education-Program Improvement Grants and do not purport to, and do not present fairly the financial position of Sauk Valley Community College District 506 (the College), 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 14, 2014

# Sauk Valley Community College District 506

## Balance Sheet

### State Adult Education Restricted Funds Grant

June 30, 2014

<b>ASSETS</b>	<b>State Basic</b>	<b>State Public Assistance</b>	<b>State Performance</b>	<b>Total</b>
Cash	\$9,704	\$2,676	\$77	\$12,457
Receivables	0	0	989	989
<b>Total assets</b>	<b>\$9,704</b>	<b>\$2,676</b>	<b>\$1,066</b>	<b>\$13,446</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$129	\$0	\$140	\$269
Accrued liabilities	984	1,060	426	2,470
Advances from other funds	0	0	500	500
<b>Total liabilities</b>	<b>1,113</b>	<b>1,060</b>	<b>1,066</b>	<b>3,239</b>
Deferred inflows of resources - Unavailable grant revenue	8,591	1,616	0	10,207
Fund balance	0	0	0	0
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$9,704</b>	<b>\$2,676</b>	<b>\$1,066</b>	<b>\$13,446</b>



**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, 2014

	State Basic	State Public Assistance	State Performance	Total
Revenues -				
Grant revenue	\$65,494	\$17,494	\$46,076	\$129,064
Expenditures:				
Instruction	51,116	14,661	12,517	78,294
Social work services	271	0	1,989	2,260
Guidance services	1,682	0	0	1,682
Assessment and testing	449	0	109	558
Literacy services	809	0	1,021	1,830
Subtotal instructional and student services	54,327	14,661	15,636	84,624
Improvement of instructional services	3,571	842	12,283	16,696
General administration	3,816	0	8,721	12,537
Data and information services	1,859	1,991	9,436	13,286
Subtotal program support	9,246	2,833	30,440	42,519
Payment of prior year's encumbrances				
Instruction	1,841	0	0	1,841
Literacy services	80	0	0	80
Subtotal prior year's encumbrances	1,921	0	0	1,921
Total expenditures	65,494	17,494	46,076	129,064
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, 2014

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<b>State Basic</b>	<b>Audited Expenditure Amount</b>	<b>Actual Expenditure Percentage</b>
Instruction (45% minimum required)	\$51,116	78.05%
General Administration (15% maximum allowed)	\$3,816	5.83%

<b>State Public Assistance</b>	<b>Audited Expenditure Amount</b>	<b>Actual Expenditure Percentage</b>
Instruction (45% minimum required)	\$14,661	83.81%
General Administration (15% maximum allowed)	\$0	0.00%

**Sauk Valley Community College District 506**  
**Balance Sheet**  
**Career and Technical Education Program Improvement Grant**  
**June 30, 2014**

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**ASSETS**

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Cash	\$0
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**LIABILITIES AND FUND BALANCE**

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Liabilities	\$0
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Fund balance	0
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Total liabilities and fund balance	\$0
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**Sauk Valley Community College District 506**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Career and Technical Education Program Improvement Grant**  
For the year ended June 30, 2014

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Revenues -	
State sources	\$18,691
<hr/>	
Expenditures -	
General materials and supplies	18,691
<hr/>	
Excess of revenues over expenditures	0
Fund balance at beginning of year	0
<hr/>	
Fund balance at end of year	\$0
<hr/> <hr/>	

# Sauk Valley Community College District 506

## Notes to ICCB Grant Programs Financial Statements

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### **Note 1**    Summary of Significant Accounting Policies:

#### **General**

The accompanying statements include only those transactions resulting from the State Adult Education & Family Literacy and Career and Technical Education-Program Improvement 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, 2014. 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

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### Restricted Adult Education Grants/State

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

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

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

### Restricted Grants

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

**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, 2014. 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 (the College) for the year ended June 30, 2014, in conformity with the Illinois Community College Board's *Fiscal Management Manual*.

*Wipfli LLP*

Sterling, Illinois  
October 14, 2014

**Sauk Valley Community College District 506**  
**Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed**  
 For the year ended June 30, 2014

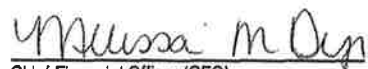
	Total Semester Credit Hours by Term *							
	Summer		Fall		Spring		Total	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Categories:								
Baccalaureate	2,402.0	0.0	12,784.0	0.0	12,451.0	0.0	27,637.0	0.0
Business Occupational	274.0	0.0	1,610.0	23.5	1,622.0	8.5	3,506.0	32.0
Technical Occupation	249.0	0.0	1,998.0	0.0	2,142.0	0.0	4,389.0	0.0
Health Occupational	637.0	0.0	2,532.5	0.0	2,223.0	16.0	5,392.5	16.0
Remedial Development	321.0	0.0	1,760.0	0.0	1,141.0	0.0	3,222.0	0.0
Adult Basis Education/ Adult Secondary Education	0.0	168.0	0.0	529.0	0.0	357.0	0.0	1,054.0
Total credit hours certified	3,883.0	168.0	20,684.5	552.5	19,579.0	381.5	44,146.5	1,102.0

	Attending In-District	Attending Out-of-District on Chargeback or Contractual Agreement	Total
Semester credit hours	43,538.5	1,440.3	44,978.8
Reimbursable semester credit hours (all terms)	5,447.0	69.0	
District equalized assessed valuation			\$1,565,037,034

	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
Remedial Development	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

  
 Chief Financial Officer (CFO)



# 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, 2014

### Reconciliation of Total Semester Credit Hours For the year ended June 30, 2014

	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	27,637.0	27,637.0	0.0	0.0	0.0	0.0
Business Occupational	3,506.0	3,506.0	0.0	32.0	32.0	0.0
Technical Occupation	4,389.0	4,389.0	0.0	0.0	0.0	0.0
Health Occupational	5,392.5	5,392.5	0.0	16.0	16.0	0.0
Remedial Development	3,222.0	3,222.0	0.0	0.0	0.0	0.0
Adult Basis Education/Adult Secondary Education	0.0	0.0	0.0	1,054.0	1,054.0	0.0
<b>Total</b>	<b>44,146.5</b>	<b>44,146.5</b>	<b>0.0</b>	<b>1,102.0</b>	<b>1,102.0</b>	<b>0.0</b>

### 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	43,538.5	43,538.5	0.0
Out-of-districts on chargeback or contractual agreement	1,440.3	1,440.3	0.0

	Total Reimbursable	Total Reimbursable Certified to ICCB	Difference
Dual credit	5,447.0	5,447.0	0.0
Dual enrollment	69.0	69.0	0.0

### Reconciliation of Total Correctional Semester Credit Hours For the year ended June 30, 2014

	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
Remedial Development	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

# **Sauk Valley Community College District 506**

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

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### **Note 1     Residency Verification Process**

#### **Procedures for Verifying and Classifying Residency**

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

**ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Sauk Valley Community College District 506 (the College), as of and for the years ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Sauk Valley Community College District 506's basic financial statements, and have issued our report thereon dated October 14, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sauk Valley Community College District 506'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 of Sauk Valley Community College District 506'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. We did identify certain deficiencies in internal control that we consider to be significant deficiencies, which are described in the accompanying schedule of findings and questioned costs as item 2014-001.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sauk Valley Community College District 506'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*.

## **Responses to Findings**

Sauk Valley Community College District 506's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Sauk Valley Community College District 506's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 14, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

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 compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sauk Valley Community College District 506's major federal programs for the year ended June 30, 2014. Sauk Valley Community College District 506's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility for Compliance***

Management of Sauk Valley Community College District 506 is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each Sauk Valley Community College District 506's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sauk Valley Community College District 506'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 Sauk Valley Community College District 506's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Sauk Valley Community College District 506 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### ***Other Matters***

#### **Report on Internal Control Over Compliance**

Management of Sauk Valley Community College District 506 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 Sauk Valley Community College District 506's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sauk Valley Community College District 506's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

The accompanying schedule of expenditures of federal awards on page 66 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Sauk Valley Community College District 506. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Wipfli LLP*

Sterling, Illinois  
October 14, 2014



# Sauk Valley Community College District 506

## Schedule of Expenditures of Federal Awards

For the year ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>Institute of Museum and Library Services:</b>			
Pass-through Illinois State Library:			
Grants to States - Library Services and Technology Grant	45.310	14SL488242	\$4,066
<b>U.S. Department of Veteran's Affairs</b>			
Direct award:			
Post 9/11 Veteran's Education Assistance	64.028		\$76,943
<b>U.S. Department of Education:</b>			
Pass-through Illinois Community College Board:			
Adult Education:			
Federal Adult Basic	84.002A	50601	\$68,153
Direct awards:			
Student Financial Assistance:			
Federal Supplemental Educational Opportunity Grants (m)	84.007	P007AXX1275	68,853
Federal Work Study Program (m)	84.033	P033AXX1275	168,387
Federal Pell Grant Program (m)	84.063	P063XXXX1379	3,311,601
Federal Direct Loan Program (m)	84.268	P268KXX1379	1,194,972
Total student financial assistance cluster			4,743,813
TRIO - Student Support Services	84.042A	P042A100620-1X	248,091
Passed through Illinois State University:			
Career and Technical Education Programs:			
Career Exploration	84.048	13D302.004	1,653
Passed through the Illinois Community College Board:			
Perkins Postsecondary Grants	84.048	CTE5061X	145,913
Program of Study	84.048	1XCTEPOSI506	13,463
Total CFDA 84.048			161,029
Passed through the Illinois Community College Board:			
Improving Teacher Quality State Grants	84.367A	13CA506	4,723
Total U.S. Department of Education			\$5,225,809
<b>Corporation for National and Community Service</b>			
Passed through the Illinois Department of Human Services			
AmeriCorps - Formula Program	94.006	FCSRE01330	\$205,262
<b>Total federal awards expended</b>			<b>\$5,512,080</b>

(m) Denotes major program

# Sauk Valley Community College District 506

## Notes to the Schedule of Expenditures of Federal Awards

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### **Note 1**    Significant Accounting Policy

Reporting entity and basis of accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sauk Valley Community College District 506 (the College) for the year ended June 30, 2014, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **Note 2**    Loan Program

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

### **Note 3**    Subrecipient Payments

Sauk Valley Community College District 506 did not provide any federal payments to subrecipients during the year ended June 30, 2014.

### **Note 4**    Non-cash Assistance

Sauk Valley Community College District 506 did not expend any federal awards in the form of non-cash assistance during the year ended June 30, 2014.

### **Note 5**    Other Federal Award Information

Sauk Valley Community College District 506 did not receive or administer any insurance or loan guarantees during fiscal year ended June 30, 2014.

# Sauk Valley Community College District 506

## Schedule of Findings and Questioned Costs

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### Section I – Summary of Auditor’s Results

#### Financial Statements

Type of auditor’s report issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<input checked="" type="checkbox"/> yes	<input 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 Section 510(a) of Circular A-133?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268	Student Financial Assistance

Dollar threshold used to distinguish between type A and type B programs:	\$ <u>300,000</u>
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Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
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# Sauk Valley Community College District 506

## Schedule of Findings and Questioned Costs

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### Section II – Financial Statement Findings

#### A. Internal Control

##### **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 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 – June 30, 2015

Contact Person – Melissa Dye, Director of Business Services

#### B. Compliance Finding

None

### Section III – Federal Award Findings and Questioned Costs

#### A. Internal Control

None

#### B. Compliance Findings

None

# Sauk Valley Community College District

## Summary Schedule of Prior Audit Findings

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### Prior Year Findings:

#### June 30, 2013

- I. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards
  - A. Internal Control  
None
  - B. Compliance Finding  
None
- II. Findings and Questioned Costs for Federal Awards
  - A. Internal Control  
None
  - B. Compliance Finding  
None

#### June 30, 2012

- 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

